# Management Discussion & Analysis

## 4th quarter, 2008

# Contents





*The tables in this report show the figures in millions. Variations, however, are calculated in units.*

*Future expectations arising from the reading of this analysis should take into consideration the risks and uncertainties that involve any activities and that are outside the control of the companies of the conglomerate (political and economic changes, volatility in interest and foreign exchange rates, technological changes, inflation, financial disintermediation, competitive pressures on products and prices, and changes in tax legislation).*

## Executive Summary
## Fourth Quarter of 2008

### Itaú Unibanco Banco Múltiplo S. A.

On November 3, 2008, the controlling shareholders of Itaúsa and Unibanco Holdings announced to the market the completion of an association agreement in order to unify the financial operations of Itaú and Unibanco, giving rise to Itaú Unibanco Banco Múltiplo, the result of the merger of the two institutions.

The Management Discussion and Analysis Report that follows will present the consolidated results and balances of the operations of Itaú Unibanco *pro forma*, by comparing net income and balances in the fourth quarter of 2008 to the prior quarter. It should be noted that net income and balances for the fourth quarter were arrived at by consolidating the companies of Itaú Unibanco, while the third quarter results and balances merely reflect the sum of results and balances separately posted by Itaú and Unibanco during the period. A similar procedure was adopted to derive net income for 2008 and 2007.

The table below shows selected information and performance indicators based on the Itaú Unibanco *pro forma,* as well as the consolidated financial statements of Itaú Unibanco Banco Múltiplo. Additionally we presented selected information and performance indicators for Itaú (*pro forma*) and Unibanco (*pro forma*) financial statements with the purpose of allowing complementary analyses from the institutions, on the same bases that were previously presented.

### Itaú Unibanco *Pro Forma* (Basis for Analysis (I +II))

*R$ million*

| Highlights | 4th Q/08 | 3rd Q/08 | 2008 | 2007 |
|---|---|---|---|---|
| Net Income | 1,871 | 2,551 | 10,004 | 11,921 |
| Recurring Net Income | 2,339 | 2,677 | 10,571 | 9,779 |
| Net Income per share (1) | 0.46 | 0.62 | 2.44 | 2.91 |
| Recurring Net Income per share (1) | 0.57 | 0.65 | 2.58 | 2.39 |
| Return on Average Equity - Annualized (2) | 17.0% | 23.3% | 23.4% | 32.0% |
| Recurring Return on Average Equity - Annualized (2) | 21.2% | 24.5% | 24.8% | 26.2% |
| Efficiency Ratio | 51.6% | 49.6% | 48.7% | 49.8% |
| | Dec 31, 08 | | Sep 30, 08 | |
| Total Assets | 632,728 | | 575,120 | |
| Credit Operations (3) | 271,938 | | 254,766 | |
| Deposits + Debentures + Borrowings and Onlending and Securities (4) | 282,708 | | 241,066 | |
| Stockholders' Equity | 43,664 | | 44,510 | |

Data of the fourth quarter derive from the consolidation of balances, revenues and expenses of Itaú Unibanco while the result and balances of the third quarter and the year 2007 correspond simply to the sum of the results and balances obtained by Itaú and by Unibanco in those periods.

### Itaú Unibanco Banco Múltiplo (Accounting)

*R$ million*

| Highlights | 4th Q/08 | 3rd Q/08 | 2008 | 2007 |
|---|---|---|---|---|
| Net Income | 1,871 | 1,848 | 7,803 | 8,474 |
| Recurring Net Income | 2,339 | 1,973 | 8,371 | 7,179 |
| Net Income per share (1) | 0.46 | 0.62 | 1.90 | 2.82 |
| Recurring Net Income per share (1) | 0.57 | 0.67 | 2.04 | 2.39 |
| Return on Average Equity - Annualized (2) | 17.0% | 23.9% | 22.1% | 32.1% |
| Recurring Return on Average Equity - Annualized (2) | 21.2% | 25.5% | 23.7% | 27.2% |
| Solvency Ratio (BIS Ratio) | 16.1% | 14.7% | 16.1% | 17.1% |
| Efficiency Ratio | 51.6% | 47.0% | 47.1% | 46.2% |
| | Dec 31, 08 | | Sep 30, 08 | |
| Total Assets | 632,728 | | 396,599 | |
| Credit Operations (3) | 271,938 | | 164,486 | |
| Deposits + Debentures + Borrowings and Onlending and Securities (4) | 282,708 | | 162,905 | |
| Stockholders' Equity | 43,664 | | 31,591 | |

Data of the fourth quarter derive from the consolidation of balances, revenues and expenses of Itaú Unibanco while the result and balances of the third quarter of 2008 and the year 2007 correspond to the results and balances obtained by Itaú.

### Itaú *Pro Forma* (I)

*R$ million*

| Highlights | 4th Q/08 | 3rd Q/08 | 2008 | 2007 |
|---|---|---|---|---|
| Recurring Net Income | 1,687 | 1,973 | 7,718 | 7,179 |
| Recurring Net Income per share (1) | 0.57 | 0.66 | 2.60 | 2.39 |
| Recurring Return on Average Equity - Annualized (2) | 20.8% | 25.5% | 25.2% | 27.2% |
| Efficiency Ratio | 49.7% | 47.0% | 46.1% | 46.2% |
| | Dec 31, 08 | | Sep 30, 08 | |
| Total Assets | 450,693 | | 396,599 | |
| Credit Operations (3) | 180,266 | | 164,486 | |
| Deposits + Debentures + Borrowings and Onlending and Securities (4) | 195,893 | | 162,905 | |
| Stockholders' Equity | 33,347 | | 31,591 | |

### Unibanco *Pro Forma* (II)

*R$ million*

| Highlights | 4th Q/08 | 3rd Q/08 | 2008 | 2007 |
|---|---|---|---|---|
| Recurring Net Income | 652 | 704 | 2,853 | 2,600 |
| Recurring Net Income per share (1) | 0.23 | 0.25 | 1.02 | 0.93 |
| Recurring Return on Average Equity - Annualized (2) | 20.1% | 22.0% | 22.8% | 23.9% |
| Efficiency Ratio | 55.6% | 55.7% | 54.3% | 57.8% |
| | Dec 31, 08 | | Sep 30, 08 | |
| Total Assets | 185,252 | | 178,520 | |
| Credit Operations (3) | 91,672 | | 90,280 | |
| Deposits + Debentures + Borrowings and Onlending and Securities (4) | 86,856 | | 78,162 | |
| Stockholders' Equity | 13,044 | | 12,919 | |

(1) Calculated considering the weighted average number of shares outstanding.
(2) Annualized Return was calculated by dividing Net Income by the Average Stockholders' Equity/Average Assets. The quotient of this division was multiplied by the number of periods of the year to derive the annualized index.
(3) Include sureties and endorsements,
(4) Net of compulsory deposits as described on page 20.

## Executive Summary
## Fourth Quarter of 2008

### Managerial Statement of Income

In the fourth quarter of 2008, the consolidated net income of Itaú Unibanco *pro forma* was influenced by non-recurring events, as shown in the table below.

*R$ million*

| | 4th Q/08 | 3rd Q/08 | 2008 | 2007 |
|---|---|---|---|---|
| **Recurring Net Income** | **2,339** | **2,677** | **10,571** | **9,779** |
| Effects related to Itaú Unibanco merger (merger of shares) | 5,183 | - | 5,183 | - |
| Equalization of accounting criteria | (1,414) | - | (1,414) | - |
| Provision for Itaú Unibanco merger expenses | (888) | - | (888) | - |
| Additional provision for loan losses | (3,023) | (66) | (3,089) | (443) |
| Effects of the adoption of Law No. 11,638 | (136) | - | (136) | - |
| Economic plans provision | 2 | (58) | (174) | (206) |
| Disposal of investments | 40 | - | 233 | 3,201 |
| Goodwill amortization | (203) | - | (223) | - |
| Other non recurring effects | (30) | (2) | (59) | (408) |
| Total of non recurring effects | (468) | (126) | (567) | 2,143 |
| **Net Income** | **1,871** | **2,551** | **10,004** | **11,921** |

Note:
The impacts of the nonrecurring events described above are net of tax effects. Further details are presented in Balance Sheet Note 22-I.

The net profit of the fourth quarter of 2008 results from the consolidation of revenues and expenses of Itaú Unibanco, while the result of the third quarter corresponds to the sum of the results obtained by Itaú and by Unibanco. In relation to the annual result, the net profit of 2008 derives from the sum of the consolidated result of the fourth quarter and the results obtained individually by Itaú and by Unibanco during the first nine months of 2008 while the net profit of 2007 derives from the sum of the results obtained individually by Itaú and by Unibanco during the twelve months of the year.

**Macroeconomic Indices**

| | Dec 31,08 | Sep 30,08 | Dec 31,07 |
|---|---|---|---|
| EMBI Brazil Risk | 429 | 303 | 233 |
| CDI (In the Quarter) | 3.3% | 3.2% | 2.6% |
| Dollar Exchange Rate (Var. in the Quarter) | 22.1% | 20.3% | -3.7% |
| Dollar Exchange Rate (Quotation in R$) | 2.3370 | 1.9143 | 1.7713 |
| IGP-M (In the Quarter) | 1.2% | 1.5% | 3.5% |
| Savings Rate (In The Quarter) | 2.1% | 2.1% | 1.7% |

**Tax Effect of Hedge of Investments Abroad and Sovereign Bonds**

*R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation |
|---|---|---|---|
| Tax Effect of Hedge of Investments Abroad (*) | 2,797 | 2,071 | 726 |
| Tax Effect of Sovereign Bonds | 215 | 241 | (26) |
| **Total** | **3,012** | **2,313** | **699** |

(*) As shown in the table on page 11

### Managerial Statement of Income

The Management Discussion and Analysis Report is based on the Managerial Statement of Income which arises from reclassifications made in the accounting statement of income. Details of such reclassifications can be found in the reports for June 2005 to March 2006.

In the fourth quarter of 2008, the real depreciated by 22.1% against the U.S. dollar, while in the third quarter of the year it depreciated by 20.3%. With respect to the euro, the real depreciated by 20.2% and 7.5% in the fourth and third quarters of 2008, respectively.

As a result of the exchange variation seen in the period, combined with our policy of exchange risk management of investments abroad, the tax effect of the hedge of Itaú Unibanco investments abroad and sovereign bonds in our portfolio reached R$ 3,012 million.

# Executive Summary
# Fourth Quarter of 2008

## Managerial Statement of Income

Our strategy of management of the exchange risk of the capital invested abroad has the objective of not permitting impacts on the result management of the exchange variation. To reach that goal, the exchange risk is neutralized and the investments are remunerated in Reais by using derivative financial instruments. Our hedge strategy further considers all tax effects due, as well as the tax benefit obtained with sovereign securities issued by foreign governments.

*R$ million*

| 4th Quarter/08 | Itaú Unibanco *Pro Forma* | | | | |
|---|---|---|---|---|---|
| | *Pro Forma* | Non-reccuring effects | Distribution of Exchange Variation | Tax Effect of Hedge of Investments Abroad and Sovereign Bonds | Managerial |
| **Managerial Financial Margin** | **6,763** | **79** | **(24)** | **3,012** | **9,831** |
| • Financial Margin with Customers | 8,669 | 79 | - | - | 8,748 |
| • Financial Margin with Market | (1,905) | - | (24) | 3,012 | 1,083 |
| **Result from Loan Losses** | **(7,917)** | **4,908** | **38** | **-** | **(2,971)** |
| Provision for Loan and Lease Losses | (8,376) | 4,908 | 38 | - | (3,430) |
| Recovery of Credits Written Off as Losses | 459 | - | - | - | 459 |
| **Net Result from Financial Operations** | **(1,153)** | **4,987** | **14** | **3,012** | **6,860** |
| **Other Operating Income/(Expenses)** | **(7,556)** | **4,604** | **(35)** | **(314)** | **(3,303)** |
| Banking fees and charge revenues | 3,762 | - | (12) | - | 3,749 |
| Result from Op. of Insurance, Pension Plans and Capitalization | 294 | 265 | (0) | - | 559 |
| Non-interest Expenses | (12,115) | 5,065 | 128 | - | (6,924) |
| Tax Expenses for ISS, PIS and Cofins | (713) | - | 8 | (314) | (1,019) |
| Equity in the Earnings of Associated Companies | 263 | (75) | (158) | - | 30 |
| Other Operating Income | 953 | (651) | - | - | 302 |
| **Operating Income** | **(8,710)** | **9,591** | **(21)** | **2,698** | **3,557** |
| Non-operating Income | (31) | 13 | (3) | - | (22) |
| **Income before Tax and Profit Sharing** | **(8,741)** | **9,604** | **(24)** | **2,698** | **3,535** |
| **Income Tax and Social Contribution** | **11,033** | **(9,163)** | 5 | (2,698) | **(823)** |
| **Profit Sharing** | **(307)** | **-** | - | - | **(307)** |
| **Minority Interests** | **(114)** | **27** | 20 | - | **(67)** |
| **Net Income** | **1,871** | **468** | **0** | **-** | **2,339** |

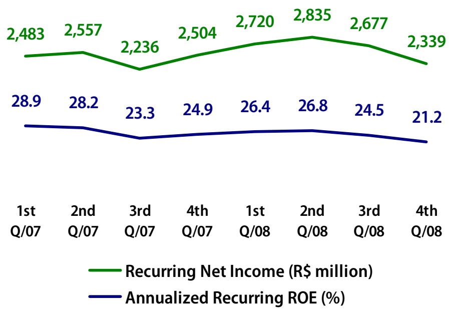
*R$ million*

| 3rd Quarter/08 | Itaú Unibanco *Pro Forma* | | | | |
|---|---|---|---|---|---|
| | *Pro Forma* | Non-reccuring effects | Distribution of Exchange Variation | Tax Effect of Hedge of Investments Abroad and Sovereign Bonds | Managerial |
| **Managerial Financial Margin** | **6,950** | **-** | **(107)** | **2,313** | **9,156** |
| • Financial Margin with Customers | 8,147 | - | - | - | 8,147 |
| • Financial Margin with Market | (1,197) | - | (107) | 2,313 | 1,009 |
| **Result from Loan Losses** | **(2,446)** | **100** | **36** | **-** | **(2,309)** |
| Provision for Loan and Lease Losses | (2,858) | 100 | 36 | - | (2,722) |
| Recovery of Credits Written Off as Losses | 413 | - | - | - | 413 |
| **Net Result from Financial Operations** | **4,505** | **100** | **(70)** | **2,313** | **6,847** |
| **Other Operating Income/(Expenses)** | **(2,495)** | **84** | **(6)** | **(186)** | **(2,603)** |
| Banking fees and charge revenues | 3,595 | - | (8) | - | 3,586 |
| Result from Op. of Insurance, Pension Plans and Capitalization | 579 | - | - | - | 579 |
| Non-interest Expenses | (6,544) | 98 | 61 | - | (6,385) |
| Tax Expenses for ISS, PIS and Cofins | (644) | - | - | (186) | (831) |
| Equity in the Earnings of Associated Companies | 124 | (13) | (54) | - | 57 |
| Other Operating Income | 395 | - | (5) | - | 390 |
| **Operating Income** | **2,009** | **184** | **(76)** | **2,126** | **4,244** |
| Non-operating Income | 15 | (3) | (4) | - | 8 |
| **Income before Tax and Profit Sharing** | **2,025** | **181** | **(80)** | **2,126** | **4,252** |
| **Income Tax and Social Contribution** | **1,074** | **(59)** | **7** | **(2,126)** | **(1,104)** |
| **Profit Sharing** | **(334)** | **-** | **-** | **-** | **(334)** |
| **Minority Interests in subsidiaries** | **(214)** | **4** | **73** | **-** | **(137)** |
| **Net Income** | **2,551** | **126** | **(0)** | **0** | **2,677** |

# Executive Summary

## Fourth Quarter of 2008

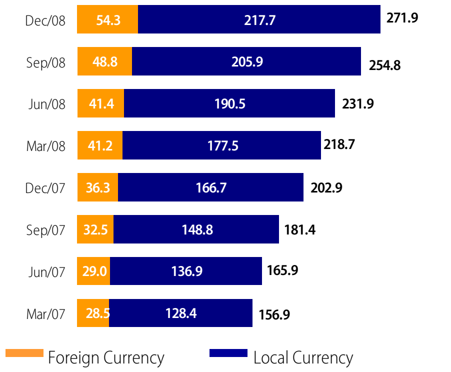
**Net Income and Annualized Return on Average Equity**




In the fourth quarter of 2008, Itaú Unibanco consolidated net income totaled R$ 1,871 million. During the period, recurring consolidated net income added up to R$ 2,339 million, a 12.7% decline when compared to the prior quarter. The parent company stockholders' equity amounted to R$ 43,664 million at December 31, 2008, corresponding to a recurring annualized return on average capital of 21.2% in the last quarter of the year, declining by 330 basis points quarter-on-quarter.

**Loan Portfolio (*)**

*R$ billion*




(*) Includes endorsements and sureties.

*R$ million*

| | Dec 31,08 | Sep 30,08 | Dec 31,07 | Variation (%) Dec/08-Sep/08 | Variation (%) Dec/08-Dec/07 |
|---|---|---|---|---|---|
| **Individuals** | **93,173** | **90,229** | **74,966** | **3.3%** | **24.3%** |
| Credit Card | 23,638 | 20,854 | 19,792 | 13.3% | 19.4% |
| Personal Loans | 21,681 | 22,304 | 19,929 | -2.8% | 8.8% |
| Vehicles | 47,854 | 47,070 | 35,245 | 1.7% | 35.8% |
| **Businesses** | **153,465** | **140,667** | **108,168** | **9.1%** | **41.9%** |
| Corporate | 100,849 | 91,027 | 71,414 | 10.8% | 41.2% |
| Micro, small and middle market | 52,616 | 49,640 | 36,755 | 6.0% | 43.2% |
| **Directed Loans** | **11,898** | **11,844** | **9,771** | **0.5%** | **21.8%** |
| Rural Loans | 5,654 | 6,082 | 5,349 | -7.0% | 5.7% |
| Mortgage Loans | 6,244 | 5,762 | 4,423 | 8.4% | 41.2% |
| **Argentina/Chile/Uruguay/Paraguay** | **13,402** | **12,026** | **9,991** | **11.4%** | **34.1%** |
| **Total** | **271,938** | **254,766** | **202,896** | **6.7%** | **34.0%** |

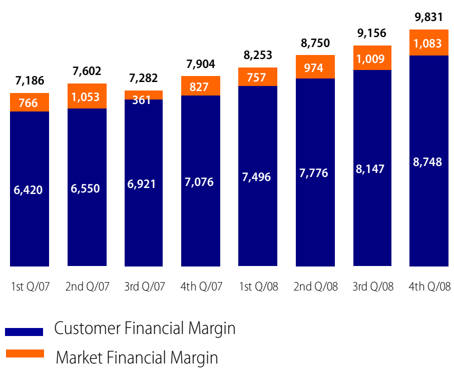
The balance of the loans and financing portfolio of Itaú Unibanco, including endorsements and sureties, reached R$ 271,938 million on December 31, 2008, with accretion of 6.7% in relation to the third quarter of the year. Transactions of loans to companies presented an increase of 9.1% in relation to the previous quarter. Restrictions to which large companies have been subject to obtain capital in the capital market have contributed to the increase of the volume of loan and financing transactions with financial institutions. In relation to micro, small and mid-sized companies, we observed a stable credit demand. The exchange rate variation in the period also increased the total balance of credit operations with businesses.

In relation to the credit portfolio of individual clients, we noted an increase of 3.3% in relation to the previous quarter. The crisis in the financial markets caused the automobile financing and leasing portfolio to increase only 1.7% in relation to the previous quarter. The entry of the resources of the 13th month salary in the economy contributed to a reduction in the balance of credit to individuals between quarters. The credit card portfolio expanded 13.3% as a result of a greater use of this product as an instrument of payment in the year-end sales, and this increase occurred mainly in the balance of the installment that has not been financed.

The credit operations in Chile, Uruguay, Argentina and Paraguay increased by 11.4% in comparison to the previous quarter, as a result of the expansion of foreign trade financing transactions in Chile, as well as due to the exchange rate variation in the period.

**Managerial Financial Margin**

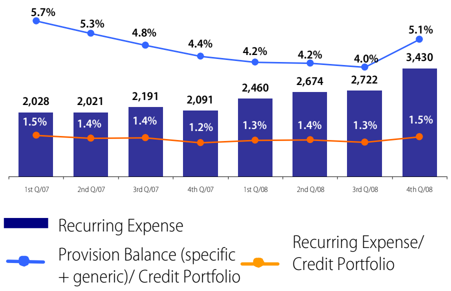
*R$ million*




The managerial financial margin of Itaú Unibanco totaled R$ 9,831 million in the last quarter of 2008, which corresponds to an increase of 7.4% in relation to the previous quarter. The managerial financial margin obtained from transactions with clients totaled R$ 8,748 million, up 7.4% comparing both periods. The expansion of the balance of credit transactions in most recent quarters was the main factor responsible for such increase. In relation to the financial margin with the market, we verified an increase of 7.3% in relation to the previous quarter, totaling R$1,083 million.

## Provision for Loan Losses and Credit Portfolio

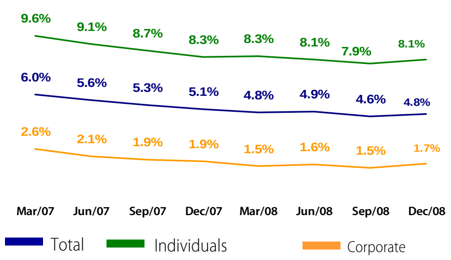
*R$ million*




In the fourth quarter of 2008, the provision for loan losses increased by 26.0% from the prior quarter, to reach R$ 3,430 million. Such increase is primarily due to risk re-ratings of large companies, as well as the impact of the economic downturn on the risk quality of the micro, small and mid-sized companies, and individual portfolios.

The nonperforming loan ratio stood at 4.8%, with a 20 basis point change from the prior period. In the quarter, we have not made any credit assignments. So, we have adjusted the historic ratios series to eliminate the impact of credit assignments made in previous quarters.

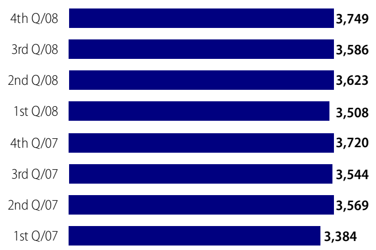
## NPL Ratio(*) - Individuals x Businesses (%)




(*) Nonperforming Loans: Loan transactions overdue more than 60 days.

## Banking fees and charge revenues

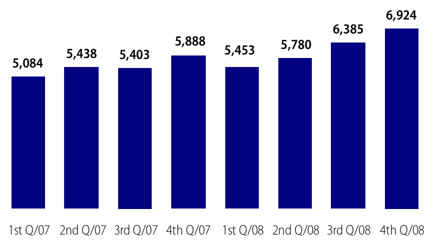
*R$ million*




Itaú Unibanco banking service fees and banking charge revenues amounted to R$ 3,749 million in the fourth quarter of 2008, a 4.6% growth from the prior quarter. During the period, revenues from credit transactions and credit cards increased for seasonal reasons, primarily as a result of the higher volume of commercial transactions at year-end. The revenues from current account services increased due to the growth in the base of account holders who use the maxiconta package. The collection services fees increased due to the growth arising from the increased charge on collection services.

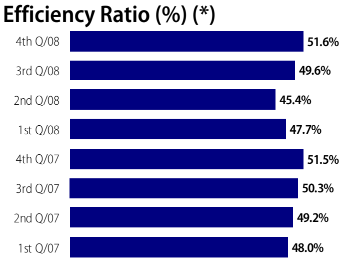
## Non-interest Expenses

*R$ million*




In the last quarter of 2008, non-interest expenses grew by 8.4% compared to the third quarter, reaching R$ 6,924 million. During the period, Itaú Unibanco non-interest expenses were influenced by the Collective Labor Agreement, that increased the compensation expenses, and a higher level of operating activity, as is typical in the last quarter of the year. Our efficiency ratio stood at 51.6% in the fourth quarter of 2008, corresponding to a 200 basis point increase quarter-on-quarter.

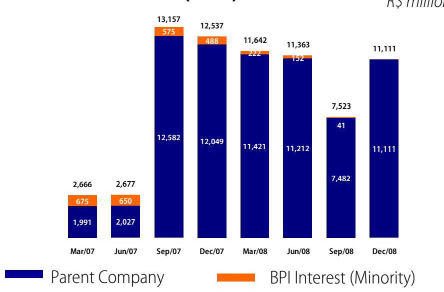
## Efficiency Ratio (%) (*)




(*) The criteria for calculating the efficiency ratio are detailed on page 16.

## Unrealized Profit/(Loss)

*R$ million*




At December 31, 2008, Itaú Unibanco had a unrealized net income/(loss) of R$ 11,111 million. Also in the quarter, in the new macro economical context, we significantly increased the provision for loan losses, and the additional provisions to the minimum required by the bank authority, for the purpose of permitting the absorption of any increases in default resulting from the strong reversal of the economic cycle, reaching R$7,791 million and increasing the coverage index from 138% to 184%. Such provision is not taken into consideration when determining the unrealized net income/(loss).

## Executive Summary
## Fourth Quarter of 2008

### Consolidated *Pro Forma* Balance Sheet

*R$ million*

| ASSETS | Dec 31,08 | Sep 30,08 | Dec 31,07 | Variation Dec/08-Sep/08 | Variation Dec/08-Dec/07 |
|---|---|---|---|---|---|
| **Current and Long-term Assets** | **622,570** | **565,005** | **435,181** | **10.2%** | **43.1%** |
| Cash and Cash Equivalents | 15,847 | 9,809 | 8,718 | 61.6% | 81.8% |
| Short-term Interbank Deposits | 124,546 | 124,540 | 94,457 | 0.0% | 31.9% |
| Securities and Derivative Instruments | 138,344 | 119,643 | 87,311 | 15.6% | 58.4% |
| Interbank and Interbranch Accounts | 14,268 | 28,466 | 24,615 | -49.9% | -42.0% |
| Loans, Leasing Operations and Other Credits | 241,043 | 224,059 | 176,002 | 7.6% | 37.0% |
| (Allowance for Loan Losses) | (19,972) | (12,243) | (10,911) | 63.1% | 83.1% |
| Other Assets | 108,495 | 70,732 | 54,988 | 53.4% | 97.3% |
| Foreign Exchange Portfolio | 51,829 | 31,229 | 23,286 | 66.0% | 122.6% |
| Others | 56,666 | 39,503 | 31,702 | 43.4% | 78.7% |
| **Permanent Assets** | **10,158** | **10,114** | **9,292** | **0.4%** | **9.3%** |
| Investments | 2,258 | 2,302 | 1,994 | -1.9% | 13.2% |
| Fixed Assets | 4,057 | 3,380 | 3,073 | 20.0% | 32.0% |
| Intangible | 3,843 | 4,432 | 4,225 | -13.3% | -9.0% |
| **TOTAL ASSETS** | **632,728** | **575,120** | **444,473** | **10.0%** | **42.4%** |

*R$ million*

| LIABILITIES AND EQUITY | Dec 31,08 | Sep 30,08 | Dec 31,07 | Variation Dec/08-Sep/08 | Variation Dec/08-Dec/07 |
|---|---|---|---|---|---|
| **Current and Long-term Liabilities** | **586,315** | **525,421** | **399,482** | **11.6%** | **46.8%** |
| Deposits | 206,189 | 167,491 | 127,235 | 23.1% | 62.1% |
| Demand Deposits | 28,071 | 23,424 | 38,413 | 19.8% | -26.9% |
| Savings Accounts | 39,296 | 37,191 | 38,496 | 5.7% | 2.1% |
| Interbank Deposits | 2,921 | 3,196 | 2,765 | -8.6% | 5.6% |
| Time Deposits | 135,901 | 103,680 | 47,561 | 31.1% | 185.7% |
| Funds Received under Securities Repurchase Agreements | 124,358 | 137,131 | 91,813 | -9.3% | 35.4% |
| Funds from Acceptances and Issue of Securities | 19,596 | 19,194 | 12,972 | 2.1% | 51.1% |
| Interbank and Interbranch Accounts | 3,008 | 6,123 | 2,620 | -50.9% | 14.8% |
| Borrowings and On-lendings | 42,636 | 39,396 | 33,137 | 8.2% | 28.7% |
| Financial Instruments and Derivatives | 14,807 | 10,953 | 7,778 | 35.2% | 90.4% |
| Technical Provisions for Insurance, Pension Plans and Cap. | 41,574 | 39,529 | 34,888 | 5.2% | 19.2% |
| Other Liabilities | 134,145 | 105,605 | 89,040 | 27.0% | 50.7% |
| Foreign Exchange Portfolio | 50,761 | 28,674 | 21,933 | 77.0% | 131.4% |
| Subordinated Debt | 22,465 | 20,138 | 17,132 | 11.6% | 31.1% |
| Others | 60,920 | 56,793 | 49,974 | 7.3% | 21.9% |
| **Deferred Income** | **231** | **163** | **130** | **41.4%** | **77.2%** |
| **Minority Interest in subsidiaries (*)** | **2,519** | **5,025** | **4,054** | **-49.9%** | **-37.9%** |
| **Stockholders' Equity of Parent Company** | **43,664** | **44,510** | **40,806** | **-1.9%** | **7.0%** |
| **TOTAL LIABILITIES AND EQUITY** | **632,728** | **575,120** | **444,473** | **10.0%** | **42.4%** |

| | | | | | |
|---|---|---|---|---|---|
| Deposits | 206,189 | 167,491 | 127,235 | 23.1% | 62.1% |
| Assets Under Management (AUM) | 258,252 | 265,042 | 266,399 | -2.6% | -3.1% |
| Total Deposits + Assets Under Management (AUM) | 464,441 | 432,534 | 393,634 | 7.4% | 18.0% |

(*) The decrease in the balance of minority interest in subsidiaries is fundamentally related to the equity acquisitions of Unibanco AIG Seguros, Banco Itaú Europa S.A. and Itaú BBA Participações S.A.

# Executive Summary
# Fourth Quarter of 2008

**Consolidated *Pro Forma* Statement of Income**

*R$ million*

| | 4th Q/08 | 3rd Q/08 | 2008 | 2007 | Variation 4th Q/08-3rd Q/08 | % | 2008-2007 | % |
|---|---|---|---|---|---|---|---|---|
| **Managerial Financial Margin** | **9,831** | **9,156** | **35,990** | **29,973** | **674** | **7.4%** | **6,016** | **20.1%** |
| • Financial Margin with Customers | 8,748 | 8,147 | 32,708 | 26,968 | 601 | 7.4% | 5,740 | 21.3% |
| • Financial Margin with Market | 1,083 | 1,009 | 3,282 | 3,006 | 73 | 7.2% | 276 | 9.2% |
| **Result from Loan Losses** | **(2,971)** | **(2,309)** | **(9,720)** | **(7,020)** | **(661)** | **28.6%** | **(2,700)** | **38.5%** |
| Provision for Loan and Lease Losses | (3,430) | (2,722) | (11,286) | (8,331) | (708) | 26.0% | (2,955) | 35.5% |
| Recovery of Credits Written Off as Losses | 459 | 413 | 1,566 | 1,311 | 46 | 11.2% | 255 | 19.4% |
| **Net Result from Financial Operations** | **6,860** | **6,847** | **26,270** | **22,954** | **13** | **0.2%** | **3,316** | **14.4%** |
| **Other Operating Income/(Expenses)** | **(3,302)** | **(2,603)** | **(9,911)** | **(7,592)** | **(699)** | **26.9%** | **(2,320)** | **30.6%** |
| Banking fees and charge revenues | 3,749 | 3,586 | 14,467 | 14,216 | 163 | 4.6% | 251 | 1.8% |
| Result from Operations of Insurance, Pension Plans and Cap. | 559 | 579 | 2,216 | 1,964 | (20) | -3.5% | 252 | 12.8% |
| Non-interest Expenses | (6,924) | (6,385) | (24,541) | (21,813) | (539) | 8.4% | (2,728) | 12.5% |
| Tax Expenses for ISS, PIS and Cofins | (1,019) | (831) | (3,378) | (2,954) | (188) | 22.6% | (424) | 14.4% |
| Equity in the Earnings of Associated Companies | 30 | 57 | 194 | 374 | (27) | -48.2% | (180) | -48.1% |
| Other Operating Income | 302 | 390 | 1,131 | 622 | (88) | -22.6% | 509 | 81.8% |
| **Operating Income** | **3,557** | **4,244** | **16,359** | **15,362** | **(686)** | **-16.2%** | **997** | **6.5%** |
| Non-operating Income | (22) | 8 | 17 | (10) | (30) | - | 27 | -260.8% |
| **Income before Tax and Profit Sharing** | **3,535** | **4,252** | **16,375** | **15,352** | **(717)** | **-16.9%** | **1,024** | **6.7%** |
| **Income Tax and Social Contribution** | **(823)** | **(1,104)** | **(3,900)** | **(3,918)** | **281** | **-25.5%** | **18** | **-0.5%** |
| **Profit Sharing** | **(307)** | **(334)** | **(1,372)** | **(1,304)** | **27** | **-8.2%** | **(68)** | **5.2%** |
| **Minority Interests in subsidiaries** | **(67)** | **(137)** | **(533)** | **(351)** | **70** | **-50.8%** | **(182)** | **51.8%** |
| **Recurring Net Income** | **2,339** | **2,677** | **10,571** | **9,779** | **(338)** | **-12.6%** | **792** | **8.1%** |
| Number of shares outstanding - in thousands (*) | 4,096,634 | 4,096,634 | 4,096,634 | 4,096,634 | | | | |
| Book value per share - R$ (*) | 10.66 | 10.87 | 10.66 | 10.87 | | | (0.21) | -1.9% |
| Net Income per share - R$ (*) | 0.57 | 0.65 | 2.58 | 2.39 | | | 0.19 | 8.1% |

(*) Adjusted to reflect the stock issuance approved in November, 2008 extraordinary stockholders meeting and by the stock splits occurred in Apr/08 and Oct/07.

Data of the fourth quarter derive from the consolidation of balances, revenues and expenses of Itaú Unibanco while the result and balances of the third quarter of 2008 and the year 2007 correspond simply to the sum of the results and balances obtained by Itaú and by Unibanco in those periods.

In this quarter we will not present the *pro forma* statement of income by segment of Itaú Unibanco, since the business areas will go through restructuring processes with the purpose of permitting the integration of operations of the institutions. Thus, we believe that the disclosure of this *pro forma* statement of income within the current context would not reflect the business model that will be effective after the integration, and, therefore, is not relevant information.

Nevertheless, to enable the assessment of the performance of Itaú and of Unibanco in the fourth quarter of 2008, we will present the analysis by segments of Itaú *pro forma* and Unibanco *pro forma*, according to the pattern in which they have previously been disclosed.

# Analysis of the Consolidated Net Income

## Analysis of the Consolidated Net Income

## Managerial Financial Margin

In the last quarter of 2008, Itaú Unibanco obtained a management financial margin of R$ 9,831 million, up 7.4% in comparison with the financial margin of the third quarter of the year. The main components of such variation will be analyzed as follows.

**Managerial Financial Margin** *R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation Balance | Variation % |
|---|---|---|---|---|
| **Customers** | **8,748** | **8,147** | **601** | **7.4%** |
| Interest Rate Sensitive Banking Transactions | 1,200 | 1,324 | (124) | -9.4% |
| Spread-Sensitive Banking Transactions | 7,548 | 6,823 | 725 | 10.6% |
| **Market** | **1,083** | **1,009** | **73** | **7.3%** |
| Managerial of Foreign Exchange Risk from Investments (I) | 584 | 466 | 118 | 25.3% |
| Treasury (II) | 499 | 544 | (45) | -8.2% |
| **Total** | **9,831** | **9,156** | **674** | **7.4%** |

## Managerial Financial Margin with Customers

The use of financial products and services by our corporate and individual clients gives rise to the management financial margin with clients that, in turn, is subdivided into the financial margin of the transactions that are sensitive to the variation of the interest rate and the margin of the transactions that are sensitive to spreads.

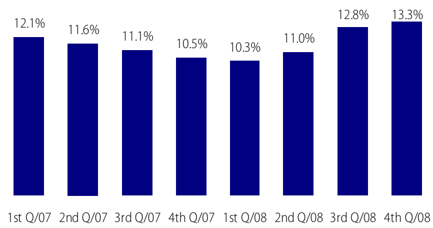
In the fourth quarter of 2008, we verified an increase of 7.4% in the management financial margin with clients, totaling R$ 8,748 million.

In the period, the financial margin of the transactions that are sensitive to the variation of the interest rate decreased 9.4% as a result, basically, of the volume of transactions.

**Banking Transactions Sensitive to Variations in Interest** *R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation Balance | Variation % |
|---|---|---|---|---|
| Average Balance | 36,175 | 41,264 | (5,089) | -12.3% |
| Financial Margin | 1,200 | 1,324 | (124) | -9.4% |
| Annualized Rate | 13.3% | 12.8% | | 43 b.p. |

**Annualized Rate of Banking Transactions Sensitive to Variations in Interest Rate**

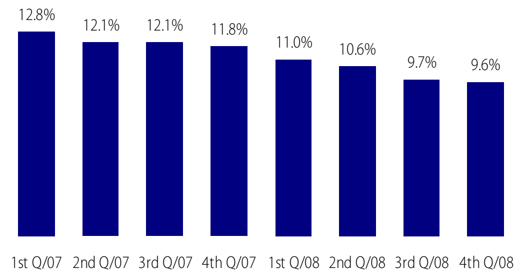



On the other hand, the financial margin of the transactions that are sensitive to spreads carried out with clients showed an increase of 10.6% in comparison with the previous quarter, which corresponds to R$ 725 million. Such increase results mainly from the increase of R$19,280 million of the average balance of loans and financing transactions since the spread was stable in relation to the previous quarter.

**Banking Transactions Sensitive to Spreads** *R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation Balance | Variation % |
|---|---|---|---|---|
| Average Balance | 314,086 | 280,388 | 33,697 | 12.0% |
| Financial Margin | 7,548 | 6,823 | 725 | 10.6% |
| Annualized Rate | 9.6% | 9.7% | | -12 b.p. |

**Annualized Rate of Banking Transactions Sensitive to Spreads**




## Managerial Market Financial Margin

The financial margin of the transactions carried out with the market is characterized by transactions carried out in the financial market to hedge investments abroad and by treasury transactions.

The financial margin of the transactions carried out with the market totaled R$1,083 million in the last quarter of the year, up 7.3% in relation to the previous quarter. The financial margin of the exchange risk administration of the investments abroad totaled R$ 584 million in the last quarter of the year, compared with R$ 466 million in the previous period.

The treasury result reached R$ 499 million in the fourth quarter of 2008, which corresponds to a decrease of 8.2% in relation to the previous period. The treasury margin in the fourth quarter was affected by the reduction in the result from hedge of positions of interest abroad, by the decrease in the result from exchange derivatives due to the impact of the drop of the exchange coupon, partially compensated by the increase in the result derived from own positions.

**Managerial Financial Margin of Exchange Risk of Investments Abroad (I)** *R$ million*

| | 4th Quarter of 2008 | | | | 3rd Quarter of 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | Initial Balance | Result Gross of Taxes | Tax Effects | Result Net of Taxes | Initial Balance | Result Gross of Taxes | Tax Effects | Result Net of Taxes |
| Capital Investments Abroad (A) | 17,734 | | | | 14,912 | | | |
| Exchange Variation on Investments Abroad (B) | | 3,883 | | 3,883 | | 2,831 | | 2,831 |
| Effect of exchange risk management of investments abroad (C)=(D)+(E) | | (6,097) | 2,797 | (3,300) | | (4,437) | 2,071 | (2,366) |
| Assets Position in DI (D) | 17,734 | 690 | | 690 | 14,912 | 512 | | 512 |
| Liabilities Position in Foreign Currency (E) | (30,997) | (6,787) | 2,797 | (3,990) | (26,065) | (4,950) | 2,071 | (2,879) |
| **Managerial Financial Margin of Exchange Risk of Investments Abroad (F) = (B) + (C)** | | **(2,214)** | **2,797** | **584** | | **(1,605)** | **2,071** | **466** |

## Analysis of the Consolidated Net Income

### Managerial Financial Margin

The factors previously described caused the net interest margin (NIM - annualized rate of the management financial margin), not taking the treasury financial margin into consideration), to decrease at 10.1%, subtracting 12.1 basis points to the previous quarter. Considering the impact of the provision expense for loan and lease losses, net of the recovery of credits written off as losses, the NIM after provisions reached 6.9% compared with 7.5% in the previous quarter.

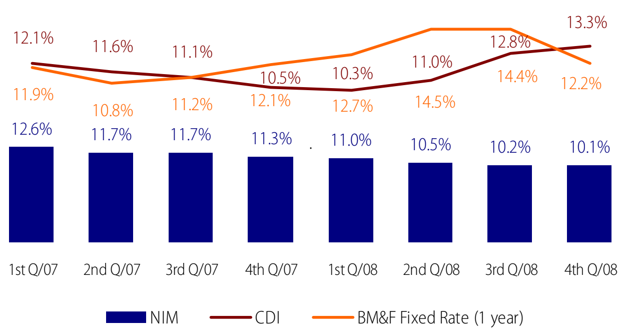
**Analysis of the Managerial Financial Margin**

*R$ million*

| | 4th Q/08 | | | 3rd Q/08 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Financial Margin | CDI (p.y.) | Average Balance | Financial Margin | CDI (p.y.) |
| Demand Deposits + Floatings | 33,537 | | | 29,549 | | |
| (-) Compulsory Deposits | (10,885) | | | (10,352) | | |
| Contingent Liabilities (-) Contingent Assets | 3,951 | | | 1,380 | | |
| Tax and Social Security Liabilities (-) Deposits in guarantee | 10,886 | | | 10,000 | | |
| (-) Tax Credits | (21,319) | | | (13,878) | | |
| Working Capital (Equity + Minority Interests - Permanent Assets - Capital Allocated to Treasury) | 20,004 | | | 24,565 | | |
| **Interest Rate Sensitive Banking Transactions Performed with Customers (A)** | **36,175** | **1,200** | **13.3%** | **41,264** | **1,324** | **12.8%** |
| | **Average Balance** | **Financial Margin** | **Spread (p.y.)** | **Average Balance** | **Financial Margin** | **Spread (p.y.)** |
| Cash and Cash Equivalents + Interbank Deposits + Securities (*) | 84,370 | | | 59,616 | | |
| Interbank and Interbranch Accounts | 10,436 | | | 18,328 | | |
| Loans, Leasing and Other Credits | 233,859 | | | 214,579 | | |
| (Allowance for Loan Losses) | (15,402) | | | (11,945) | | |
| Net Foreign Exchange Portfolio (Asset/Liability) | 822 | | | (189) | | |
| **Spread-Sensitive Banking Transactions Performed with Customers (B)** | **314,086** | **7,548** | **9.6%** | **280,388** | **6,823** | **9.7%** |
| **Managerial Financial Margin with Customer (C = A+B)** | **350,261** | **8,748** | **10.0%** | **321,652** | **8,147** | **10.1%** |
| **Managerial of Foreign Exchange Risk from Investments (I) (D)** | **17,597** | **584** | **13.3%** | **15,964** | **466** | **11.7%** |
| **Net Interest Margin (E = C+D)** | **367,858** | **9,332** | **10.1%** | **337,617** | **8,613** | **10.2%** |
| **Provision for Loan and Lease Losses (F)** | | **(3,430)** | | | **(2,722)** | |
| **Recovery of Credits Written Off as Losses (G)** | | **459** | | | **413** | |
| **Net Interest Margin after Provision for Credit Risk (H = E+F+G)** | **367,858** | **6,361** | **6.9%** | **337,617** | **6,304** | **7.5%** |
| **Treasury Financial Margin (II) (J)** | | **499** | | | **544** | |
| **Net Result from Financial Operations (L = H+J)** | | **6,860** | | | **6,847** | |

(*) Cash and Cash Equivalents + Interbank Deposits + Securities (-) Interbank Deposits related to Repurchase Liability (-) Derivative financial instruments (-) Banking Transactions Sensitive to Variations in Interest Rate (-) Investments Abroad.
Note: Spread is the annualized difference between the earnings of assets and their opportunity costs.

**Net Interest Margin (NIM) x CDI x BM&F Fixed Rate (1 year)**



## Analysis of the Consolidated Net Income

### Results from Loan and Lease Losses

**Expenses for Provision for Loan Losses and Recovery of Credits Written-off as Losses**

*R$ million*

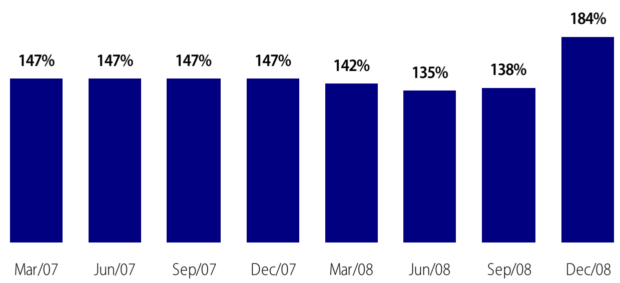
| | 4th Q/08 | 3rd Q/08 | 2008 | 2007 | Variation 4th Q/08 - 3rd Q/08 | |
|---|---|---|---|---|---|---|
| Provision for Loan and Lease Losses | (3,430) | (2,722) | (11,286) | (8,331) | (708) | 26.0% |
| Recovery of Credits Written Off as Losses | 459 | 413 | 1,566 | 1,311 | 46 | 11.2% |
| **Result from Loan Losses** | **(2,971)** | **(2,309)** | **(9,720)** | **(7,020)** | **(661)** | **28.6%** |

In the fourth quarter of 2008, expenses for the provision for loan and lease losses of Itaú Unibanco reached R$ 3,430 million, which corresponds to an increase of 26.0% in comparison with expenses of the previous quarter. Such increase results basically from reclassifications of risk ratings of large companies, as well as from the impact of deceleration of the economic activity on the risk of portfolios of micro, small and mid-size companies and of individual clients.

Historically, Itaú Unibanco constitutes an additional provision over that required by the bank authority, based upon the view that the level of provisioning has the necessary strength to absorb any increases in default foreseen in historical scenarios of incurred loss.

In the fourth quarter, considering the economic scenario and the uncertainties related thereto, the criteria for the constitution of additional provision for credit transactions have been reviewed, including a portion related to the risks associated with a more pessimistic scenario for 2009 and 2010, with no precedent when compared with the historical scenarios observed in the recent past.

**Coverage Ratio**




The coverage ratio is derived by dividing the balance of the provision for loan losses by the balance of transactions more than 60 days overdue. The 4670 basis point increase compared to third quarter of 2008 is essentially attributable to the additional provision for loan losses booked in the period.

Thus, in this quarter, total balance of additional provision reached R$ 7,791 million. We remind you that the expense for the constitution of the additional provision has been considered a nonrecurring event in the result of the fourth quarter of 2008.

Furthermore, to meet to this new scenario, we intensified the policy of greater selectiveness to grant credit, granting priority to the transactions with better risk quality.

**Nonperforming Loans**

*R$ million*

| | Dec 31,08 | Sep 30,08 | Dec 31,07 |
|---|---|---|---|
| Total *Nonperforming Loans* (a) | 10,833 | 8,898 | 7,443 |
| Credit Portfolio (b) | 241,043 | 224,059 | 176,002 |
| Credit Assignments (c) | 734 | 1,536 | 1,578 |
| *NPL Ratio* [(a)/(b)] x 100 | 4.5% | 4.0% | 4.2% |
| *NPL Ratio* [(a) + (c)]/[(b)+ (c)] x 100 | 4.8% | 4.6% | 5.1% |

(a) Loans overdue for more than 60 days and without generation of revenues on the accrual basis.
(b) Endorsements and sureties not included.
(c) Balance of Credit Assignments in previous quarters.

The quick reversion of the economic cycle caused the historical trend of our nonperforming ratio to reverse.

Thus, in the fourth quarter of 2008 the nonperforming loans index reached 4.8%, which corresponds to an increase of 20 basis points in comparison with the previous quarter. The individual clients' transactions presented an index of 8.1% in the period, up 30 basis points in relation to the previous period. Similarly, the index obtained on the corporate clients' portfolio reached 1.7% in the fourth quarter, which is equivalent to an increase of 20 basis points. It is relevant to emphasize that, in this quarter, we have not carried out any credit assignments. Thus, for the purpose of permitting greater comparability, we adjusted the historical data of the non performing loan index to disregard the impact of the credit assignments carried out in previous periods.

**Overdue Loans**

*R$ million*

| | Dec 31,08 | Sep 30,08 | Dec 31,07 |
|---|---|---|---|
| Overdue Loans (a) | 18,115 | 14,670 | 13,229 |
| Balance of Provision for Loan and Lease Losses (b) | (19,972) | (12,252) | (10,920) |
| Difference (b+a) | (1,857) | 2,418 | 2,310 |

Overdue loans are credit transactions having at least one installment more than 15 days overdue, irrespective of collateral provided.

Finally, our collection activities caused the income from recovery of credits previously written-off as losses to grow 11.2% in relation to the previous period, totaling R$ 459 million in the fourth quarter of 2008.

# Analysis of the Consolidated Net Income

## Banking fee revenues and Banking charge revenues

R$ million

| | | 4th Q/08 | 3rd Q/08 | 2008 | 2007 | Variation 4thQ/08 - 3rdQ/08 | | Variation 2008 - 2007 | |
|---|---|---|---|---|---|---|---|---|---|
| Asset Management | A | 502 | 548 | 2,183 | 2,346 | (47) | -8.5% | (163) | -7.0% |
| Current Account Services | B | 698 | 669 | 2,575 | 2,504 | 29 | 4.3% | 71 | 2.8% |
| Loan Operations and Guarantees Provided | | 575 | 579 | 2,506 | 2,644 | (4) | -0.6% | (138) | -5.2% |
| Collection Services | C | 378 | 347 | 1,377 | 1,302 | 31 | 9.0% | 76 | 5.8% |
| Credit Cards | D | 1,244 | 1,075 | 4,369 | 3,903 | 168 | 15.7% | 466 | 11.9% |
| Other | E | 353 | 368 | 1,457 | 1,518 | (15) | -4.0% | (60) | -4.0% |
| **Total** | | **3,749** | **3,586** | **14,467** | **14,216** | **163** | **4.6%** | **251** | **1.8%** |

Banking service fee revenues, including banking charges, increased by 4.6% compared to the third quarter of 2008, chiefly driven by:

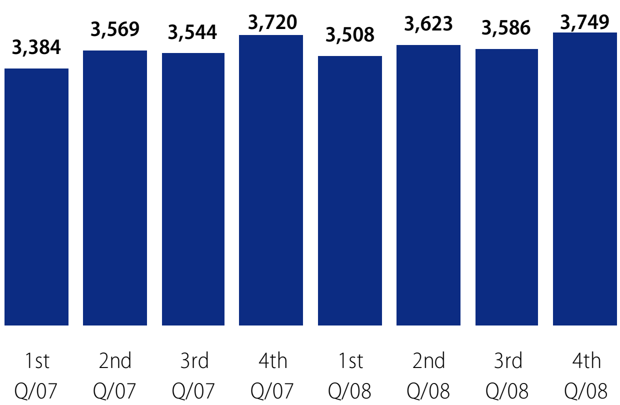
A) Decline in fund management revenues as a result of the decreased volume of assets under management. Such assets have migrated to time deposit transactions.

B) Growth in the base of account holders who use the *maxiconta* package.

C) Growth arising from the increased charges on collection services.

**Banking fee revenues and Banking charge revenues**

R$ million




D) Seasonal growth related to a higher level of transactions during the fourth quarter.

### Other

R$ million

| | | 4th Q/08 | 3rd Q/08 | Variation |
|---|---|---|---|---|
| Foreign Exchange Services | | 21 | 19 | 2 |
| Income from Brokerage and Securities Placement | E | 68 | 84 | (16) |
| Income from Consultation to Serasa | | 2 | 1 | 0 |
| Income from Custody Services and Management of Portfolio | | 41 | 42 | (0) |
| Income from Economic and Financial Advisory | | 57 | 54 | 3 |
| Commission Income | | 21 | 32 | (11) |
| Other Services | | 144 | 136 | 8 |
| **Total** | | **353** | **368** | **(15)** |

E) Lower volume of public offerings of shares.

# Analysis of the Consolidated Net Income

## Non-interest Expenses

*R$ million*

| | 4thQ/08 | 3rdQ/08 | 2008 | 2007 | Variation 4thQ/08 - 3rdQ/08 | | Variation 2008 - 2007 | |
|---|---|---|---|---|---|---|---|---|
| Personnel Expenses | (2,649) | (2,363) | (9,336) | (8,088) | (286) | 12.1% | (1,248) | 15.4% |
| Other Administrative Expenses | (3,189) | (2,779) | (10,922) | (9,873) | (410) | 14.7% | (1,049) | 10.6% |
| Other Operating Expenses | (1,004) | (1,134) | (3,969) | (3,219) | 130 | -11.4% | (750) | 23.3% |
| Tax Expenses | (82) | (110) | (315) | (632) | 28 | -25.2% | 317 | -50.1% |
| **Total** | **(6,924)** | **(6,385)** | **(24,541)** | **(21,813)** | **(539)** | **8.4%** | **(2,728)** | **12.5%** |

Expenses in the fourth quarter of 2008 were up 8.4% from the third quarter, mostly driven by personnel expenses and other administrative expenses.

## Personnel Expenses

*R$ million*

| | | 4thQ/08 | 3rdQ/08 | Variation |
|---|---|---|---|---|
| Compensation | A | (1,514) | (1,350) | (164) |
| Charges | A | (475) | (436) | (39) |
| Social Benefits | A | (396) | (340) | (56) |
| Training | | (36) | (40) | 3 |
| Employee Resignation and Labor Claims | B | (227) | (197) | (30) |
| **Total** | | **(2,650)** | **(2,363)** | **(287)** |

Personnel expenses increased by 12.1% quarter-on-quarter. The main drivers were:

A) Impact of the Collective Labor Agreement (CCT), whereby compensation amounts were increased by 8.15% or 10%, in accordance with the salary level.

B) Higher expenses from setting up provisions for labor claims.

## Other Administrative Expenses

*R$ million*

| | | 4thQ/08 | 3rdQ/08 | Variation |
|---|---|---|---|---|
| Data Processing and Telecommunication | C | (606) | (571) | (35) |
| Depreciation and Amortization | D | (306) | (249) | (57) |
| Facilities | E | (474) | (413) | (62) |
| Third-Party Services | F | (792) | (692) | (99) |
| Financial System Service | | (204) | (167) | (37) |
| Advertising, Promotions and Publications | G | (311) | (248) | (63) |
| Transportation | | (98) | (93) | (6) |
| Materials | | (77) | (75) | (2) |
| Security | | (88) | (84) | (4) |
| Legal | | (23) | (17) | (6) |
| Travel | | (41) | (37) | (5) |
| Others | | (170) | (134) | (36) |
| **Total** | | **(3,189)** | **(2,779)** | **(410)** |

Other administrative expenses grew by 14.7%. The main drivers were:

C) Increased expenses for software rental and maintenance, systems consulting, data transmission and mailing services.

D) A result of higher investments made by the Bank during the prior quarters, leading to an increase in depreciable goods and assets.

E) Higher expenses for upkeep and maintenance of goods, as well as higher expenses for utilities and rental of properties.

F) Increased expenses for the acquisition of customer historical information, as well as higher advisory and consulting expenses.

G) Increased advertising, promotion and publication expenses.

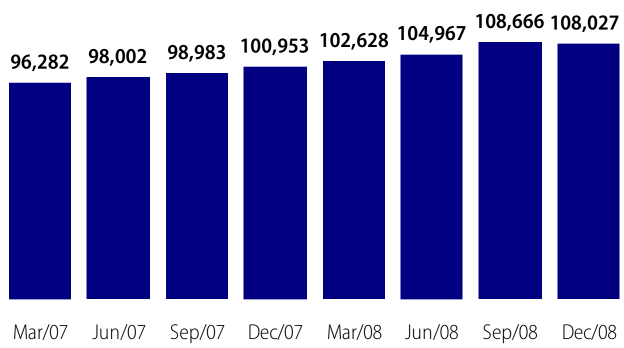
## Other Operating Expenses

*R$ million*

| | | 4thQ/08 | 3rdQ/08 | Variation |
|---|---|---|---|---|
| Provision for contingencies | H | (286) | (439) | 153 |
| Selling - Credit Cards | | (181) | (223) | 42 |
| Claims | | (157) | (141) | (16) |
| Others | | (379) | (331) | (48) |
| **Total** | | **(1,004)** | **(1,134)** | **130** |

H) Other operating expenses declined by 11.4%, essentially due to lower provisions for fiscal contingences.

**Number of Employees (*)**



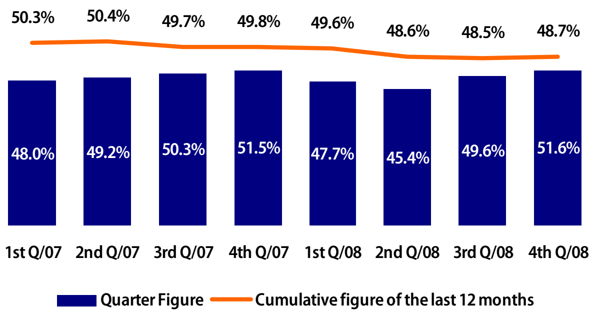

(*) Includes Chile and Uruguay employees as from Mar/07.

# Analysis of the Consolidated Net Income

## Efficiency Ratio (*)

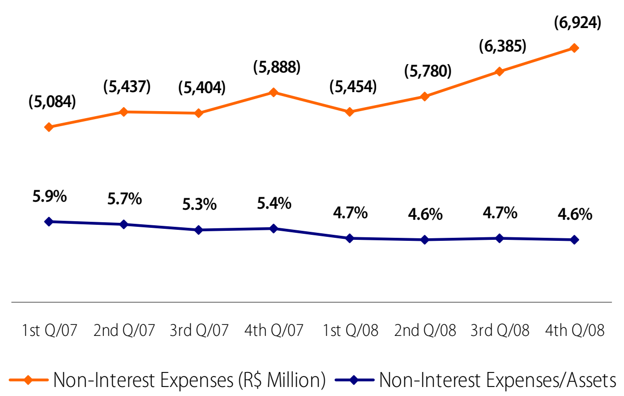
The fourth quarter efficiency ratio reached 51.6%, a 200 basis point increase in relation to the prior quarter index, driven by the growth of non-interest expenses at a faster pace when compared to the revenues´ growth.

**Efficiency Ratio (*)**



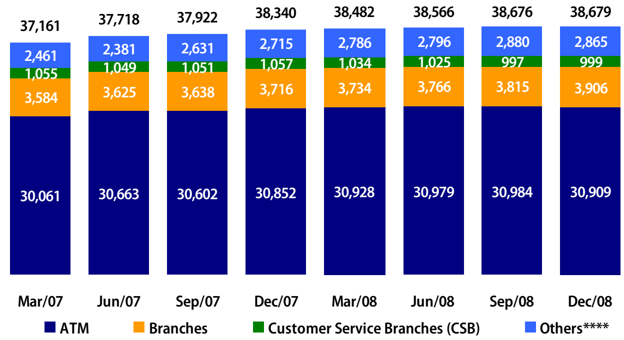

(*) Efficiency Ratio = Non-Interest Expenses (Personnel Expenses + Other Administrative Expenses + Other Operating Expenses + Tax Expenses) / (Managerial Financial Margin + Banking Service Fees and Charge Revenues + Operating Result of Insurance, Capitalization and Pension Plans + Other Operating Income + Tax Expenses for PIS/COFINS/ISS)

**Performance of Non-Interest Expenses and Ratio of Non-Interest Expenses to Assets (**)**




(**) Division of Non-Interest Expenses by the arithmetic average of total assets for the two past quarters (annualized).

**History of Numbers of Points of Service (***)**




(***) Includes Banco Itaú Argentina and Banco Itaú BBA. As from Mar/07, considers Chile and Uruguay companies' information. Does not include points of sale and TecBan's ATM' - Banco 24hs (5.306 in dec/08)

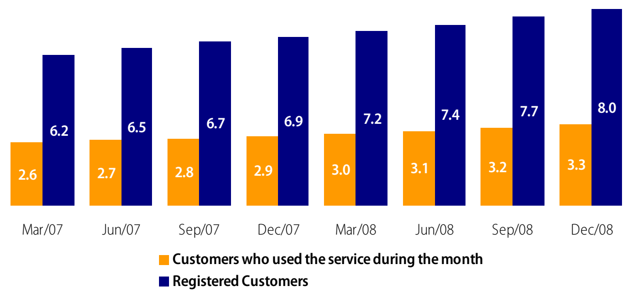
(****) Others includes stores, kiosks and attendance centers: Taií, Fininvest, Hipercard, LuizaCred e PontoCred.

The number of service points was kept stable due to the growth in the amount of branches compensated by the reduction in the total number of ATMs.

## Analysis of the Consolidated Net Income

**Internet Banking Clients**

*In millions*




More than 200 thousand new customers were enabled to use Internet Banking in the fourth quarter of 2008. The number of Internet Banking accesses shows continued growth since the beginning of the year, to reach the peak of over three million in December.

## Tax Expenses for ISS, PIS and Cofins

Tax expenses are 22.6% higher than those of the previous quarter, mainly as a result of PIS and Cofins due on the income from interest on capital distributed by the conglomerate companies which usually takes place at year-end, as well as by the growth of operational results in the period.

## Income Tax and Social Contribution on Net Incone

After excluding nonrecurring effects and hedge effects on investments abroad, expenses for Income Tax and Social Contribution on Net Profits (Contribuição Social sobre Lucro Líquido – CSLL) of the fourth quarter of 2008 are 25.5% lower than expenses of the previous quarter as a result of the reduction in the recurring result before Income Tax and Social Contribution on Net Profits.

Expenses for Social Contribution on Net Profits due in the short term remain without the effect of increase in the rate from 9% to 15% as a result of the constitution of a tax credit in an amount that is sufficient to nullify such effect, in view of the fact that the bank Administration believes that the Direct Action of Unconstitutionality, filed by the National Confederation of the Financial System (Confederação Nacional do Sistema Financeiro – Consif), will be successful.

*R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation |
|---|---|---|---|
| **Result before Income Tax (IR) and Social Contribution (CSLL)** | **(8,741)** | **2,025** | **(10,765)** |
| **(+) Result from non-recurring events** | **9,604** | **181** | **9,423** |
| **(=) Recurring Result before IR and CSLL** | **863** | **2,206** | **(1,343)** |
| **Income Tax and Social Contribution at the rates of 25% and 9% respectively (A)** | **(293)** | **(750)** | **457** |
| **(Inclusions) Exclusions and Other (B)** | **2,164** | **1,765** | **399** |
| Exchange Variation on Investments Abroad | 1,188 | 907 | 281 |
| Interest on Own Capital | 168 | 259 | (91) |
| Dividends, Interest on External Debt Bonds and Tax Incentives | 254 | 305 | (51) |
| Other | 554 | 294 | 260 |
| **Subtotal (C) = (A) + (B)** | **1,870** | **1,015** | **855** |
| Exclusion of Exchange Variation and Tax Effects on Hedges of Investments Abroad and Sovereign Bonds (D) | (2,693) | (2,119) | (574) |
| **Income Tax and Social Contribution (C)+(D)** | **(823)** | **(1,104)** | **281** |

# Consolidated Balance Sheet
# Value at Risk
# Ownership Structure

## Consolidated Balance Sheet

### History of Securities Portfolio

*R$ million*

| | Dec 31, 08 | % | Sep 30, 08 | % | Dec 31, 07 | % | Variation (%) Dec/08-Sep/08 | Variation (%) Dec/08-Dec/07 |
|---|---|---|---|---|---|---|---|---|
| Public Securities - Domestic | 52,907 | 38.2% | 42,318 | 35.4% | 28,640 | 32.8% | 25.0% | 84.7% |
| Public Securities - Foreign | 12,035 | 8.7% | 16,661 | 13.9% | 12,568 | 14.4% | -27.8% | -4.2% |
| Total Public Securities | 64,942 | 46.9% | 58,980 | 49.3% | 41,208 | 47.2% | 10.1% | 57.6% |
| Private Securities | 25,774 | 18.6% | 19,764 | 16.5% | 14,911 | 17.1% | 30.4% | 72.8% |
| PGBL/VGBL Fund Quotas | 30,024 | 21.7% | 28,867 | 24.1% | 24,835 | 28.4% | 4.0% | 20.9% |
| Derivative Financial Instruments | 17,605 | 12.7% | 12,031 | 10.1% | 6,357 | 7.3% | 46.3% | 176.9% |
| **Total Securities** | **138,344** | **100.0%** | **119,643** | **100.0%** | **87,311** | **100.0%** | **15.6%** | **58.4%** |

During the last quarter of 2008, Itaú Unibanco's securities portfolio totalled R$ 138,344 million, corresponding to an increase of 15.6% in relation to the third quarter of 2008. In this period, as a result of the turbulence in the markets, we directed part of the available resources to assets with more liquidity.

### Credit Portfolio

*R$ million*

| Risk Level | | AA | A | B | C | D - H | Total |
|---|---|---|---|---|---|---|---|
| Dec 31, 08 | Credit Operations (*) | 75,605 | 114,213 | 46,274 | 14,121 | 21,725 | 271,938 |
| | % of Total | 27.8% | 42.0% | 17.0% | 5.2% | 8.0% | 100.0% |
| Sep 30, 08 | Credit Operations (*) | 78,939 | 110,232 | 39,362 | 10,450 | 15,783 | 254,766 |
| | % of Total | 31.0% | 43.3% | 15.5% | 4.1% | 6.2% | 100.0% |

(*) The credit portfolio balance includes sureties and endorsements.

## Analysis of Sensitivity

The analysis of sensitivity by market risk factors of the Trading Portfolio and Banking Portfolio of Itaú Unibanco, on December 31, 2008, took three scenarios into consideration: addition of 1 basis point; shocks of more and less 25%; and shocks of more and less 50% in the portfolio, and in both cases the greater losses resulting from risk factors have been taken into consideration.

Total losses of Trading and Banking portfolios, with no regard to the correlation of factors, were R$ 2,026 million (net of tax effects), considering the shock scenario of 25%, and R$ 3,791 million (net of tax effects) with shock scenario of 50%. On the other hand, total losses with regard to the correlation of factors were R$ 1,407 million (net of tax effects), considering the shock scenario of 25%, and R$ 2,655 million (net of tax effects) considering the shock scenario of 50%. (See Note 7J to the Financial Statements).

## Securities Portfolio

In the fourth quarter of 2008, the credit portfolio increased by 6.7% during the quarter and the share of credits rated "AA" to "C" in the total portfolio was 92.0%. The Food and Beverage industry showed the highest concentration, representing 5.0% of the total. Other significant industries in our portfolio include: Agribusiness, with a total balance of R$ 13,155 million, corresponding to 4.9% of the total portfolio; Metallurgy and Steel, with R$ 10,985 million, or 4.0% of the total portfolio; Transportation, with R$ R$ 9,911 million, or 3.6% of the total; Financial, with R$ 8,611 million, or 3.2% of the total; and Electric Energy Generation, Transportation and Distribution, with of R$ 8,301 million, or 3.1% of the total.

At December 31, 2008, Itaú Unibanco had verified swaps and target forwards with 68 clients, resulting in a 50% reduction in comparison to October 2008. The total exposure of these products was R$1,7 billion at an exchange rate of R$2.30, to be liquidated in December. Since then, some of those instruments have been liquidated.

## Real Estate Credit

The real estate credit portfolio totaled R$ 6,224 million at December 31, 2008, equal to an 8.4% growth from the prior quarter.

## Consolidated Balance Sheet

### Portfólio Aquisition X Compulsory Deposits

Every available method was used in order to reduce compulsory deposits through portfolio acquisition, which totalized R$ 327 million, and interbank deposits, achieving a total balance of R$ 8,025 million.

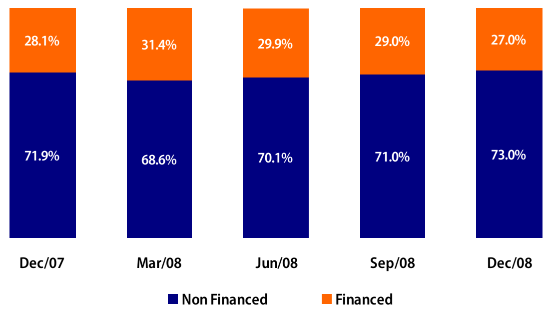
### Payroll Credit

Itaú Unibanco's payroll credit portfolio added up to R$ 4,552 million at December 31, 2008, increasing by 7.7% from the prior quarter.

### Credit Card

In the fourth quarter of 2008, we can see a reduction of the financed part of credit card operations to 27.0% of the total portfolio balance, as a result of the 15.6% growth on the non financed, compared to a 5.1% growth of the financed part.

**Credit Card Portfolio**




### Funding

In the fourth quarter of 2008, funds obtained, added up to R$ 600,381 million, growing by 3.9% compared to the prior quarter.

During the quarter, time deposits increased by 38.4% from the third quarter of the year, to reach R$ 118,909 million at December 31, 2008, thus becoming our main funding instrument with clients. On the other hand, the balance of funding through own debentures (Committed Operations) declined by 17.3%. Assets under management reached R$ 258,252 million at December 31, 2008, a 2.6% decrease compared to the prior quarter.

**Funding from Customers**

*R$ million*

| | Dec 31, 08 | Sep 30, 08 | Dec 31, 07 | Dec/08 - Sep/08 | Dec/08 - Dec/07 |
|---|---|---|---|---|---|
| Demand deposits | 28,071 | 23,424 | 38,413 | 19.8% | -26.9% |
| Savings deposits | 39,286 | 37,182 | 38,487 | 5.7% | 2.1% |
| Time deposits | 118,909 | 85,897 | 38,837 | 38.4% | 206.2% |
| Mortgage - Backed Notes / Debentures (Committed operations) | 55,477 | 67,067 | 46,367 | -17.3% | 19.6% |
| **(1) Funding from Customers** | **241,743** | **213,570** | **162,104** | **13.2%** | **49.1%** |
| Institutional customers | 30,442 | 32,287 | 24,584 | -5.7% | 23.8% |
| Onlending | 18,456 | 17,277 | 14,735 | 6.8% | 25.3% |
| **(2) Total - Funding from Customers** | **290,641** | **263,134** | **201,423** | 10.5% | 44.3% |
| Assets under management | 258,252 | 265,042 | 266,399 | -2.6% | -3.1% |
| Technical provisions for insurance, pension plan and capitalization | 41,574 | 39,529 | 34,940 | 5.2% | 19.0% |
| **(3) Total Customers** | **590,467** | **567,705** | **502,762** | **4.0%** | **17.4%** |
| Deposits from Banks | 2,921 | 3,196 | 2,765 | -8.6% | 5.6% |
| Funds from acceptance and issuance of securities | 6,993 | 7,217 | 4,834 | -3.1% | 44.7% |
| **(4) Total Funding** | **600,381** | **578,117** | **510,361** | **3.9%** | **17.6%** |

At the end of 2008, the credit operation balance consumed R$ 241,043 million of the total funding from clients, borrowings, onlendings , securities and sovereign bonds, net of compulsory deposits. The remaining resources were used in the management of our liquidity.

**Relation between Loan Portfolio and Funding**

| | Dec 31, 08 | Sep 30, 08 | Dec 31, 07 | Dec/08 - Sep/08 | Dec/08 - Dec/07 |
|---|---|---|---|---|---|
| Funding from customers | 290,641 | 263,134 | 201,423 | 10.5% | 44.3% |
| (-) Compulsory deposits + available funds | (39,036) | (51,403) | (36,162) | -24.1% | 7.9% |
| Funds from acceptance and issuance of securities | 6,993 | 7,217 | 4,834 | -3.1% | 44.7% |
| Borrowings | 24,110 | 22,119 | 18,402 | 9.0% | 31.0% |
| **Total (A)** | **282,708** | **241,066** | **188,496** | **17.3%** | **50.0%** |
| **Loan Portfolio (B) (*)** | **241,043** | **224,059** | **176,002** | **7.6%** | **37.0%** |
| **B/A** | **85.3%** | **92.9%** | **93.4%** | **-8.3%** | **-8.7%** |

(*) The credit portfolio balance does not include sureties and endorsements.

## Consolidated Balance Sheet

### External Funding

Funding made by Itaú Unibanco abroad constitutes an important source of resources for the institution. Below we highlight and explain in detail the main issues in effect on December 31, 2008.

**Main Issues in Effect (1)**

*US$ millions*

| Instrument | Coordinator | Balance at Sep 30, 08 | Issues | Amortization | Balance at Dec 31, 08 | Issue Date | Maturity Date | Coupon % p.y. |
|---|---|---|---|---|---|---|---|---|
| Fixed Rate Notes (2) | Merrill Lynch | 282 | | | 331 | 08/13/2001 | 08/15/2011 | 4.250% |
| Fixed Rate Notes | Merrill Lynch and Itaubank | 100 | | | 100 | 08/13/2001 | 08/15/2011 | 10.000% |
| Fixed Rate Notes | Merrill Lynch and Itaubank | 80 | | | 80 | 11/09/2001 | 08/15/2011 | 10.000% |
| Fixed Rate Notes | Dresdner Bank | 21 | | (5) | 16 | 06/13/2003 | 07/15/2009 | 6.150% |
| Fixed Rate Notes | Merrill Lynch | 55 | | (55) | 0 | 11/25/2003 | 09/20/2010 | 5.010% |
| Fixed Rate Notes | Citibank | 200 | | | 200 | 12/12/2003 | 12/15/2013 | 9.735% |
| Fixed Rate Notes | UBS/Merrill Lynch | 500 | | | 500 | 07/29/2005 | perpetual | 8.700% |
| Fixed Rate Notes (3) | Itaú Chile | 97 | | | 97 | 07/24/2007 | 07/24/2017 | UF (10) + 3,79% |
| Fixed Rate Notes (4) | Itaú Chile | 98 | | | 98 | 10/30/2007 | 10/30/2017 | UF (10) + 3,44% |
| Floating Rate Notes | Itaubank | 393 | | | 393 | 12/31/2002 | 03/30/2015 | Libor (11) + 1,25% |
| Floating Rate Notes | Nomura | 170 | | (8) | 162 | 10/15/2003 | 10/15/2013 | Libor (11) + 1,35% |
| Floating Rate Notes | Merrill Lynch | 105 | | (105) | 0 | 07/07/2004 | 03/20/2011 | Libor (11) + 0,65% |
| Floating Rate Notes (5) | HypoVereinsbank and ING | 281 | | | 277 | 06/22/2005 | 06/22/2010 | Euribor (12) + 0,375% |
| Floating Rate Notes | Calyon | 178 | | | 178 | 06/30/2005 | 09/20/2012 | Libor (11) + 0,20% |
| Floating Rate Notes (6) | Itaú Europa, HypoVereinsbank and LB Baden Wuerttemberg | 141 | | | 139 | 12/22/2005 | 12/22/2015 | Euribor (12) + 0,55% |
| Floating Rate Notes | Standard Bank | 105 | | | 105 | 01/15/2006 | 01/15/2016 | Libor (11) + 1,20% |
| Floating Rate Notes | Mizuho | 150 | | (4) | 146 | 07/17/2006 | 07/15/2014 | Libor (11) + 0,33% |
| Floating Rate Notes (7) | Itaú Europa, UBS Inv. Bank/US and Natexis Banques Populaires | 422 | | | 416 | 07/27/2006 | 07/27/2011 | Euribor (12) + 0,32% |
| Floating Rate Notes | Dresdner Bank | 200 | | | 200 | 09/20/2006 | 09/20/2013 | Libor (11) + 0,50% |
| Floating Rate Notes | Sumitomo | 200 | | | 200 | 04/26/2007 | 04/15/2014 | Libor (11) + 1,175% |
| Floating Rate Notes | Citibank | 200 | | | 200 | 05/21/2007 | 07/15/2015 | Libor (11) + 0,80% |
| Floating Rate Notes | Sumitomo and WestLB | 200 | | | 200 | 04/25/2008 | 07/15/2015 | Libor (11) + 0,75% |
| Floating Rate Notes | Citibank | 225 | | | 225 | 09/24/2008 | 09/20/2013 | Libor (11) + 1,50% |
| Medium Term Notes (8) | Citibank and UBB Securities | 170 | | | 139 | 02/11/2005 | 02/11/2010 | IGP-M + 8,70% |
| Medium Term Notes (9) | HSBC | 209 | | | 162 | 05/30/2007 | 05/30/2012 | 9.21% |
| Other Notes (13) | | 1,820 | | | 1,453 | | | |
| **Total** | | **6,602** | **0** | **(177)** | **6,017** | | | |

(1) Amounts related to principal.
(2) Amount in US$ equivalent on the dates to JPY 30 billion.
(3) and (4) Amounts in US$ equivalent on the dates of issue to CHP 46.9 billion, and to CHP 48.5 billion, respectively.
(5), (6) and (7) Amounts in US$ equivalent on the dates to € 200 million, to € 100 million, and to € 300 million, respectively.
(8) and (9) Amounts in US$ equivalent on the dates to R$325 million and R$387 million, respectively.
(10) Incentive Financial Unit.
(11) Libor 180 days.
(12) Euribor 90 days.
(13) Structured Notes and Credit Linked Notes

### Equity

On December 31, 2008, the consolidated net equity of Itaú Unibanco totaled R$ 43,664 million. At the end of 2008, we reached a BIS Ratio of 16.10%. With the introduction of Resolution 3,674 of the Central Bank, we started adding the full amount of our additional provision for loan losses to the Level I capital.

### Value at Risk - VaR

#### Itaú Unibanco

The table below shows Itaú Unibanco consolidated Global VaR, comprising the portfolios of Unibanco, Itaú BBA, Itaú Europa, Itaú Argentina, Itaú Chile, and Itaú's structural portfolio. Itaú's and Itaú BBA's portfolios are analyzed together and segregated by risk factor. It can be seen that the diversification of business units' risks is significant, which enables the group to maintain an overall exposure to market risk at very low levels when compared to its capital.

Itaú Unibanco continues to adhere to its policy of operating within relatively low limits. In spite of the change in Global VaR at the end of the quarter, no significant growth in these levels was seen, even with the increased volatility of the individual risk factors.

**Itaú Unibanco VaR (*)**

*R$ million*

| | | Dec 31, 08 | Sep 30, 08 |
|---|---|---|---|
| Itaú(*) + Itaú BBA | Fixed Rate | 159.3 | 167.6 |
| | TR | 13.8 | 30.4 |
| | Inflation Index Linked Interest Rate | 4.6 | 7.2 |
| | Dollar Linked Interest Rate | 16.6 | 39.4 |
| | Foreign Exchange Rate | 17.2 | 52.4 |
| | Private Securities and Sovereign Bonds | 22.2 | 27.5 |
| | Equities | 15.5 | 21.2 |
| | Foreign Interest Rate | 7.8 | 19.6 |
| | *Commodities* | 0.0 | 0.1 |
| | Others Foreign Exchange Rate | 1.0 | 0.8 |
| | Others | 8.6 | 12.5 |
| UNIBANCO | | 161.6 | 97.1 |
| Itaú Europa | | 5.9 | 7.2 |
| Itaú Argentina | | 5.1 | 4.1 |
| Itaú Chile | | 1.1 | 1.0 |
| Itaú Uruguai | | 2.8 | 0.0 |
| Diversification Effect | | (97.9) | (179.4) |
| **VaR Global** | | **345.3** | **308.7** |
| **Maximum VaR** | | **910.0** | **452.8** |
| **Average VaR** | | **498.5** | **205.9** |
| **Minimum VaR** | | **339.2** | **132.6** |

(*) Ex operations of Proprietary trading desk.
Adjusted for tax purposes.

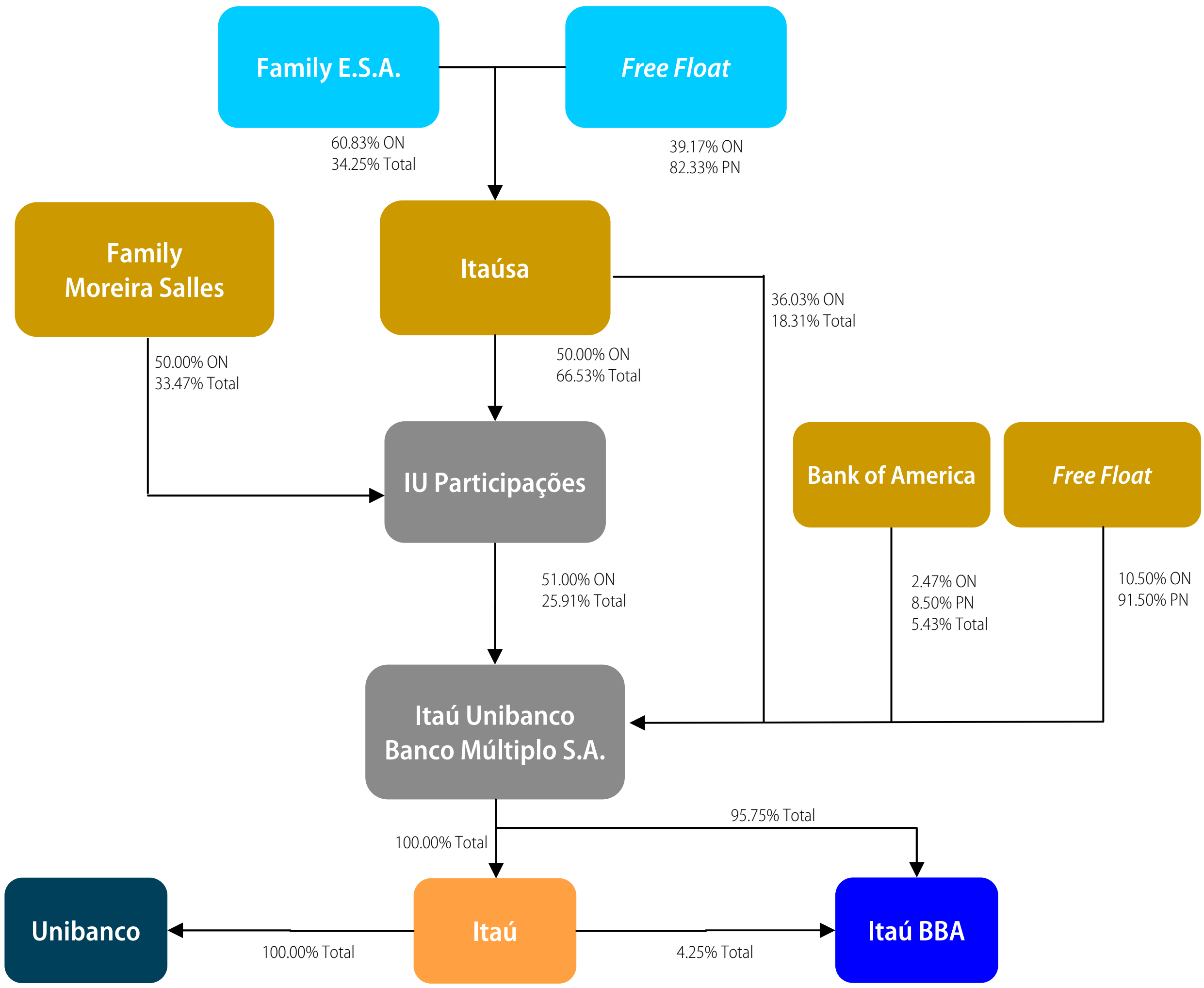
## Ownership Structure

Management of our ownership structure is intended to optimize the capital allocation to the various segments comprising the conglomerate.

Note 16 to the Consolidated Financial Statements sets out the average acquisition cost of treasury shares, as well as the activity in options granted to conglomerate executives under the "Option Plan".

| ITAÚ UNIBANCO BANCO MÚLTIPLO S.A. | Common | Preferred | Total |
|---|---|---|---|
| Balance at September 2008 | 1,553,419 | 1,469,990 | 3,023,408 |
| Increase in Capital (EGM 11/28/2008) | 527,751 | 614,237 | 1,141,988 |
| Cancellation of Shares (EGM 11/28/2008) | - | (10,000) | (10,000) |
| Balance at December 2008 | 2,081,169 | 2,074,227 | 4,155,396 |
| **Shares in Treasury - December 2008 (in thousands)** | **-** | **(58,763)** | **(58,763)** |
| **Total Shares (-) Treasury (in thousands)** | **2,081,169** | **2,015,464** | **4,096,633** |

The organization chart below summarizes our current ownership structure.



## Merger of Unibanco Shares

The association of Itaú and Unibanco was approved at the Extraordinary Stockholders' Meeting held on November 28, 2008, and sanctioned by the Brazilian Central Bank on February 18, 2009. As a result of such approvals:

A) On March 31, 2009, Unibanco Holdings S.A. and Unibanco – União de Bancos Brasileiros S.A. shares shall be replaced with Itaú Unibanco Banco Múltiplo S.A. shares;

B) The symbols for trading in Unibanco 'UBBR' and 'UBHD' shall be substituted by the symbols 'ITAU' for shares traded on the BM&FBOVESPA and 'ITU' for ADRs traded on the New York Stock Exchange (NYSE);

C) This share exchange shall be effected in whole numbers; and the remaining shares arising from share fractions shall be sold via auction on the São Paulo Stock Exchange, the net amount being credited in full to the settlement account indicated by the stockholder;

D) Accordingly, Unibanco stockholders, who are now stockholders of Itaú Unibanco, will be remunerated in accordance with the dividend policy of the new organization, that is, by payments of dividends and /or monthly, supplementary payments of interest on own capital (JCP) declared by Itaú Unibanco as from November 28, 2008.

Detailed information and other aspects of the association of Itaú and Unibanco can also be found at our investor relations website at www.itauunibancoir.com.

## Corporate Sustainability Index - ISE

Itaú Unibanco was selected to comprise the theoretical portfolio of ISE (Corporate Sustainability Index) of BM&FBovespa, 2008-2009 version. ISE is intended to reflect the return of a portfolio comprised of shares in companies that are known for their commitment to social responsibility, as well as to promote good practices within the Brazilian corporate community. Itaú Unibanco's share in the index is 27.4%.

## Apimec 2008 Cycle – 4th Quarter

Under the ongoing Apimec 2008 Cycle throughout Brazil, in the fourth quarter, meetings were held in São Paulo and Campinas. In 2008, Unibanco and Itaú held 5 and 16 Apimec meetings, respectively, testifying to the two institutions' commitment to spreading the culture of capital markets in Brazil. The first joint Itaú Unibanco meeting was held in the city of São Paulo, on December 9. The event, with the presence of over 640 participants, was broadcast live on the Internet, with simultaneous translation into English and Spanish. The presentations may be accessed at the investor relations website www.itauunibancoir.com.

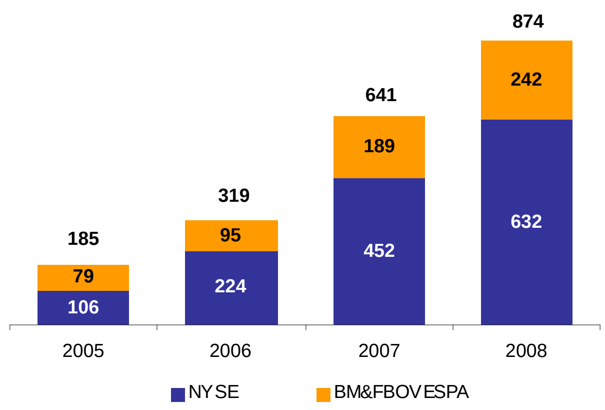
## Performance in the Stock Market

**Stock Market Performance (São Paulo Stock Exchange) - R$**

| 4th Quarter / 2008 | Preferred | Unit | Common | |
|---|---|---|---|---|
| | Itaú | Unibanco | Itaú | Unibanco |
| Maximum in the quarter (a) | 32.44 | 19.35 | 29.50 | 19.00 |
| Average in the quarter | 25.75 | 14.58 | 22.31 | 14.48 |
| Minimum in the quarter (b) | 16.91 | 8.90 | 16.13 | 6.75 |
| Variation % (a/b) | 91.8% | 117.4% | 82.9% | 181.5% |
| Closing Price (*) | 26.10 | 14.85 | 21.50 | 17.50 |

*(*) On December 30, 2008.*

**Average Daily Volume Traded - R$ million (*)**



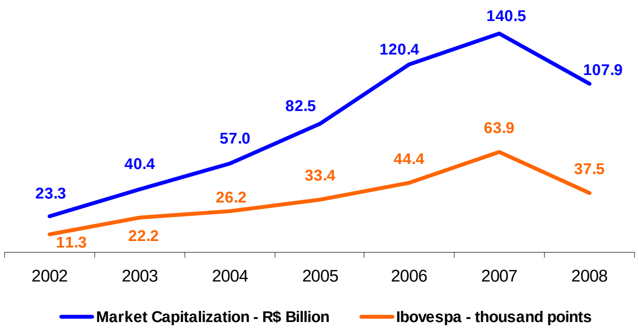

*(*) Calculated using daily conversion of dollar (US$) to real (R$).*

With respect to Itaú Unibanco performance in 2008, the following aspects should be noted:

A) In terms of volume of ADRs traded, Itaú Unibanco is now the leading bank in the world, and the seventh in the global ranking of companies with ADRs traded on NYSE. The average daily financial volume of our ADRs reached R$ 632 million in 2008, increasing by 39.8% from the prior year.

B) In spite of the volatility seen in capital markets in the fourth quarter of 2008, Itaú Unibanco market capitalization was R$ 107.9 billion in December 2008, thus consolidating its position among the 15 largest financial institutions in the world, able to compete in the international scenario with large global banks. This evidences our focus on creating shareholder value.

**Market Capitalization(*) x Bovespa Index (Ibovespa)**




*(*) Average price of preferred shares on the last trading day of the period x total shares outstanding.*

# Management Discussion and Analysis

## ITAÚ

## Executive Summary
## Fourth Quarter of 2008

In order to enable an accurate assessment of Itaú's performance in the fourth quarter of 2008, the Management Operational Analysis Report presents below an analysis and discussion of the factors which influenced the composition of the institution's pro forma net income for the period, disregarding the impacts from the association with Unibanco.

**Tax Effect of Hedge and Sovereign Bonds** *R$ milllion*

| | 4th Q/08 | 3rd Q/08 | Variation |
|---|---|---|---|
| Tax Effect of Hedge of Investments Abroad (*) | 2,018 | 1,372 | 646 |
| Tax Effect of Sovereign Bonds | 143 | 166 | (23) |
| **Total** | **2,161** | **1,538** | **622** |

(*) As shown in the table on page 33.

## Managerial Statement of Income

*R$ milllion*

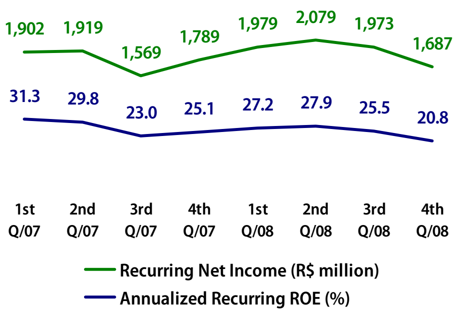
| 4th Quarter/08 | Itaú *Pro Forma* | | | |
|---|---|---|---|---|
| | *Pro Forma* | Exclusion of Distribution of Exchange Variation | Tax Effect of Hedge and Sovereign Bonds | Managerial |
| **Managerial Financial Margin** | **4,577** | **(2)** | **2,161** | **6,736** |
| • Financial Margin with Customers | 6,201 | - | - | 6,201 |
| • Financial Margin with Market | (1,623) | (2) | 2,161 | 536 |
| **Result from Loan Losses** | **(2,319)** | **38** | **-** | **(2,281)** |
| Provision for Loan and Lease Losses | (2,701) | 38 | - | (2,664) |
| Recovery of Credits Written Off as Losses | 382 | - | - | 382 |
| **Net Result from Financial Operations** | **2,258** | **36** | **2,161** | **4,455** |
| **Other Operating Income/(Expenses)** | **(1,865)** | **(35)** | **(218)** | **(2,118)** |
| Banking fees and charge revenues | 2,629 | (12) | - | 2,617 |
| Result from Op. of Insurance, Pension Plans and Capitalization | 327 | (0) | - | 327 |
| Non-interest Expenses | (4,659) | 128 | - | (4,531) |
| Tax Expenses for ISS, PIS and Cofins | (475) | 8 | (218) | (686) |
| Equity in the Earnings of Associated Companies | 186 | (158) | - | 28 |
| Other Operating Income | 128 | - | - | 128 |
| **Operating Income** | **393** | **1** | **1,943** | **2,337** |
| Non-operating Income | 9 | (3) | - | 5 |
| **Income before Tax and Profit Sharing** | **402** | **(2)** | **1,943** | **2,342** |
| **Income Tax and Social Contribution** | **1,370** | 5 | (1,943) | **(568)** |
| **Profit Sharing** | **(104)** | - | - | **(104)** |
| **Minority Interests** | **19** | (2) | - | **17** |
| **Net Income** | **1,687** | **0** | **0** | **1,687** |

*R$ milllion*

| 3rd Quarter/08 | Itaú *Pro Forma* | | | |
|---|---|---|---|---|
| | *Pro Forma* | Exclusion of Distribution of Exchange Variation | Tax Effect of Hedge and Sovereign Bonds | Managerial |
| **Managerial Financial Margin** | **4,941** | **(107)** | **1,538** | **6,373** |
| • Financial Margin with Customers | 5,631 | - | - | 5,631 |
| • Financial Margin with Market | (690) | (107) | 1,538 | 741 |
| **Result from Loan Losses** | **(1,751)** | **36** | **-** | **(1,715)** |
| Provision for Loan and Lease Losses | (2,088) | 36 | - | (2,052) |
| Recovery of Credits Written Off as Losses | 337 | - | - | 337 |
| **Net Result from Financial Operations** | **3,190** | **(70)** | **1,538** | **4,658** |
| **Other Operating Income/(Expenses)** | **(1,411)** | **(6)** | **(108)** | **(1,524)** |
| Banking fees and charge revenues | 2,591 | (8) | - | 2,583 |
| Result from Op. of Insurance, Pension Plans and Capitalization | 325 | - | - | 325 |
| Non-interest Expenses | (4,307) | 61 | - | (4,245) |
| Tax Expenses for ISS, PIS and Cofins | (422) | - | (108) | (530) |
| Equity in the Earnings of Associated Companies | 110 | (54) | - | 56 |
| Other Operating Income | 292 | (5) | - | 287 |
| **Operating Income** | **1,779** | **(76)** | **1,431** | **3,134** |
| Non-operating Income | 23 | (4) | - | 20 |
| **Income before Tax and Profit Sharing** | **1,803** | **(80)** | **1,431** | **3,153** |
| **Income Tax and Social Contribution** | **501** | **7** | **(1,431)** | **(923)** |
| **Profit Sharing** | **(207)** | **-** | **-** | **(207)** |
| **Minority Interests** | **(124)** | **73** | **-** | **(51)** |
| **Net Income** | **1,973** | **-** | **-** | **1,973** |

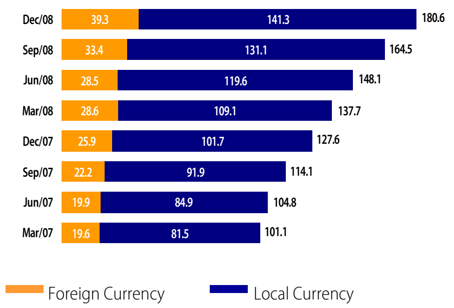
## Executive Summary
## Fourth Quarter of 2008

**Net Income and Annualized Return on Average Equity**




Itaú's *pro forma* net income in the fourth quarter of 2008 totaled R$ 1,687 million, corresponding to a 14.5% decline from the recurring net income for the prior quarter.

**Loan Portfolio (*)**



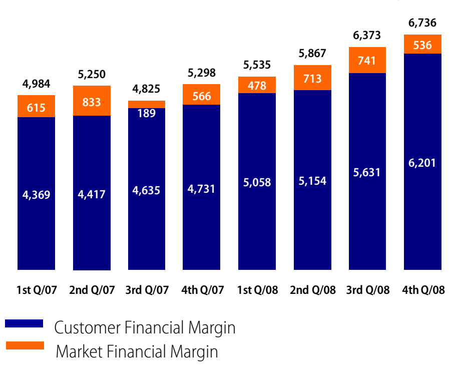

(*) Includes endorsements and sureties.

*R$ million*

| | Dec 31,08 | Sep 30,08 | Dec 31,07 | Variation (%) Dec/08-Sep/08 | Variation (%) Dec/08-Dec/07 |
|---|---|---|---|---|---|
| **Individuals** | **68,912** | **66,158** | **54,416** | **4.2%** | **26.6%** |
| Credit Card | 13,450 | 11,447 | 10,925 | 17.5% | 23.1% |
| Personal Loans | 15,347 | 15,296 | 13,881 | 0.3% | 10.6% |
| Vehicles | 40,115 | 39,414 | 29,611 | 1.8% | 35.5% |
| **Businesses** | **90,952** | **79,198** | **57,524** | **14.8%** | **58.1%** |
| Corporate | 54,047 | 45,900 | 35,755 | 17.8% | 51.2% |
| Micro, small and middle market | 36,905 | 33,298 | 21,769 | 10.8% | 69.5% |
| **Directed Loans** | **8,412** | **8,144** | **6,335** | **3.3%** | **32.8%** |
| Rural Loans | 4,364 | 4,574 | 3,654 | -4.6% | 19.4% |
| Mortgage Loans | 4,048 | 3,570 | 2,682 | 13.4% | 51.0% |
| **Argentina/Chile/Uruguay** | **12,285** | **10,986** | **9,314** | **11.8%** | **31.9%** |
| **Total** | **180,562** | **164,486** | **127,589** | **9.8%** | **41.5%** |

Itaú's loan and financing portfolio, including sureties and endorsements, added up to R$ 180,562 million at December 31, 2008, a 9.8% increase from the third quarter of the year. With the worsening of the international financial crises in mid-September, loan transactions to companies grew 14.8% compared to the prior period and were particularly affected by the significant demand for credit on the part of large corporations, thus increasing the transaction balance by 17.8%. A further driver was the impact of the depreciation of the real against foreign currencies, which helped increase the total balance of transactions quarter-on-quarter, as a significant portion of such transactions is expressed in, or linked to, these currencies.
The individual loan portfolio grew by 4.2% from the prior quarter. As a result of the crisis in financial markets, the vehicle financing and leasing portfolio increased by a mere 1.8% compared to the third quarter. Stricter selection criteria in the extension of loans to individuals helped the balance of personal credit transactions to remain virtually stable quarter-on-quarter. The credit card portfolio balance increased by 17.5%, due to the seasonal growth in the use of this product as a payment means of year-end purchases.
Credit transactions in Chile, Uruguay and Argentina were up 11.8% from the prior quarter, chiefly due to the expansion in external trade financing transactions in Chile and to the impact of exchange rates in the quarter.

**Managerial Financial Margin**

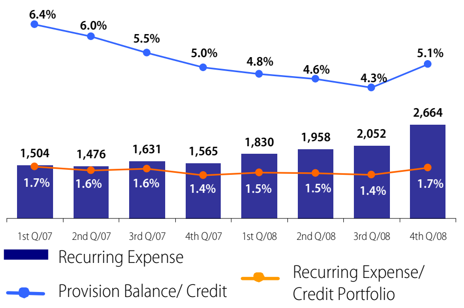



Itaú's managerial financial margin reached R$ 6,736 million in the fourth quarter of 2008, a 5.7% increase from the prior quarter. The managerial financial margin on customer transactions added up to R$ 6,201 million, a 10.1% increase compared to the prior period. The main driver of the increased financial margin on customer transactions was the expansion in the loan transactions balance. On the other hand, the financial margin on market transactions declined 27.8% from the prior quarter, chiefly driven by treasury results that were affected by the reduction in the result from hedge of interest positions abroad, by the decrease in the result from exchange derivatives, due to the impact of the drop of the exchange coupon partially compensated by the increase in the result derived from own positions.

## Executive Summary
## Fourth Quarter of 2008

### Provision for Loan Losses and Credit Portfolio

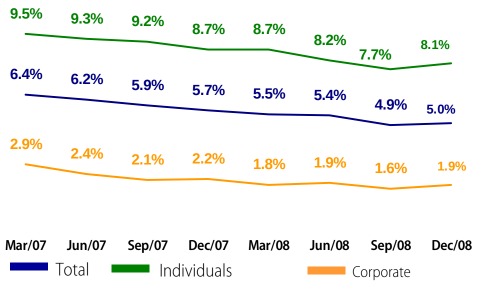
*R$ million*




In the last quarter of 2008, Itaú's expenses for the provision for loan losses reached R$ 2,664 million, a 29.8% growth from the prior quarter. The quarter was essentially characterized by risk re-ratings of large companies and increased delinquency levels of customers comprising two portfolios - micro, small and mid-sized companies, and individuals.

The nonperforming loans ratio stood at 5.0% in the fourth quarter of 2008, a 10 basis point change from the prior quarter. In the quarter, we have not made any credit assignments. As a result, we have adjusted the historical ratios series to eliminate credit assignments made in previous quarters.

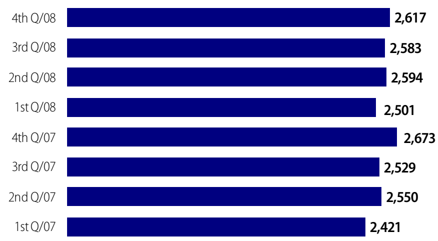
### NPL Ratio(*) - Individuals x Businesses (%)




(*) Nonperforming Loans: Loan transactions overdue more than 60 days.

### Banking fees and charge revenues

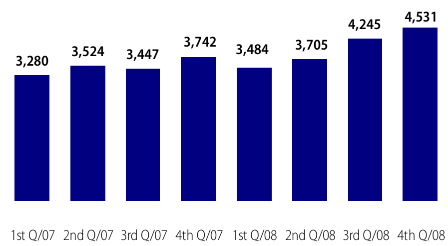
*R$ million*




Itaú's banking services fees and banking charge revenues added up to R$ 2,617 million in the fourth quarter of 2008, increasing by 1.3% compared to the prior quarter. Revenues from credit and credit card transactions grew as a result of year-end sales. On the other hand, the migration of funds from investment funds to time deposits prompted a decline in asset management revenues. Besides this, the downturn in capital markets reduced revenues from investment banking. Finally, revenues from loan registration suffered negatively, influenced by the policy of customer loyalty and by the decrease in financing transactions.

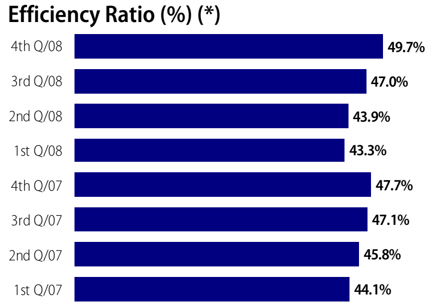
### Non-interest Expenses

*R$ million*




Itaú's non-interest expenses grew by 6.7% from the prior period, to reach R$ 4,531 million. During the last quarter of 2008, non-interest expenses were affected by the Labor Collective Agreement, whereby salaries were adjusted, as well as a higher operating activity level, which is typical of this period of the year, as Christmas sales and the payment of the 13th month salary fuel commercial and economic activities in general. During the quarter, the number of branches grew by 1.7% compared to September 2008, totaling 2,898 units. The efficiency ratio stood at 49.7%, a 270 basis point increase from the prior quarter.

### Efficiency Ratio (%) (*)




(*) The criteria for calculating the efficiency ratio are detailed on page 38.

## Executive Summary
## Fourth Quarter of 2008

**Consolidated *Pro Forma* Balance Sheet**

*R$ million*

| ASSETS | Dec 31,08 | Sep 30,08 | Dec 31,07 | Variation % Dec/08-Sep/08 | Variation % Dec/08-Dec/07 |
|---|---|---|---|---|---|
| **Current and Long-term Assets** | **444,174** | **389,920** | **288,566** | **13.9%** | **53.9%** |
| Cash and Cash Equivalents | 11,809 | 6,021 | 4,288 | 96.1% | 175.4% |
| Short-term Interbank Deposits | 85,586 | 86,491 | 56,785 | -1.0% | 50.7% |
| Securities and Derivative Instruments | 97,540 | 81,607 | 61,338 | 19.5% | 59.0% |
| Interbank and Interbranch Accounts | 11,961 | 20,828 | 17,727 | -42.6% | -32.5% |
| Loans, Leasing Operations and Other Credits | 167,146 | 151,015 | 115,548 | 10.7% | 44.7% |
| (Allowance for Loan Losses) | (13,912) | (8,789) | (7,926) | 58.3% | 75.5% |
| Other Assets | 84,044 | 52,747 | 40,806 | 59.3% | 106.0% |
| Foreign Exchange Portfolio | 43,425 | 24,268 | 18,770 | 78.9% | 131.4% |
| Others | 40,619 | 28,479 | 22,036 | 42.6% | 84.3% |
| **Permanent Assets** | **6,519** | **6,679** | **6,310** | **-2.4%** | **3.3%** |
| Investments | 885 | 1,416 | 1,260 | -37.5% | -29.7% |
| Fixed Assets | 2,582 | 2,447 | 2,230 | 5.5% | 15.8% |
| Intangible | 3,051 | 2,816 | 2,820 | 8.3% | 8.2% |
| **TOTAL ASSETS** | **450,693** | **396,599** | **294,876** | **13.6%** | **52.8%** |

| LIABILITIES AND EQUITY | Dec 31,08 | Sep 30,08 | Dec 31,07 | Variation % Dec/08-Sep/08 | Variation % Dec/08-Dec/07 |
|---|---|---|---|---|---|
| **Current and Long-term Liabilities** | **415,910** | **362,547** | **263,713** | **14.7%** | **57.7%** |
| Deposits | 150,673 | 113,078 | 81,592 | 33.2% | 84.7% |
| Demand Deposits | 23,977 | 19,960 | 28,134 | 20.1% | -14.8% |
| Savings Accounts | 31,896 | 29,925 | 27,990 | 6.6% | 14.0% |
| Interbank Deposits | 2,042 | 2,345 | 1,616 | -12.9% | 26.4% |
| Time Deposits | 92,758 | 60,847 | 23,852 | 52.4% | 288.9% |
| Funds Received under Securities Repurchase Agreements | 91,006 | 105,803 | 64,733 | -14.0% | 40.6% |
| Funds from Acceptances and Issue of Securities | 11,103 | 10,583 | 8,371 | 4.9% | 32.6% |
| Interbank and Interbranch Accounts | 2,172 | 4,836 | 1,856 | -55.1% | 17.0% |
| Borrowings and On-lendings | 24,062 | 20,808 | 16,800 | 15.6% | 43.2% |
| Financial Instruments and Derivatives | 8,008 | 5,094 | 3,857 | 57.2% | 107.6% |
| Technical Provisions for Insurance, Pension Plans and Cap. | 28,950 | 27,573 | 23,832 | 5.0% | 21.5% |
| Other Liabilities | 99,936 | 74,771 | 62,671 | 33.7% | 59.5% |
| Foreign Exchange Portfolio | 42,631 | 23,949 | 18,918 | 78.0% | 125.4% |
| Subordinated Debt | 14,273 | 12,512 | 11,375 | 14.1% | 25.5% |
| Others | 43,032 | 38,311 | 32,378 | 12.3% | 32.9% |
| **Deferred Income** | **119** | **90** | **74** | **32.1%** | **62.3%** |
| **Minority Interest in subsidiaries (*)** | **1,317** | **2,371** | **2,121** | **-44.5%** | **-37.9%** |
| **Stockholders' Equity of Parent Company** | **33,347** | **31,591** | **28,969** | **5.6%** | **15.1%** |
| **TOTAL LIABILITIES AND EQUITY** | **450,693** | **396,599** | **294,876** | **13.6%** | **52.8%** |

| | | | | | |
|---|---|---|---|---|---|
| Deposits | 150,673 | 113,078 | 81,592 | 33.2% | 84.7% |
| Assets Under Management (AUM) | 201,984 | 209,400 | 211,464 | -3.5% | -4.5% |
| Total Deposits + Assets Under Management (AUM) | 352,657 | 322,478 | 293,056 | 9.4% | 20.3% |

(*) The decrease in the balance of minority interest in subsidiaries is fundamentally related to the equity acquisitions of Banco Itaú Europa S.A. and Itaú BBA Participações S.A.
Note: In December 31, 2008 the consolidated balance sheets of Itaú Unibanco does not represent the sum of Itaú and Unibanco because there are operations between both companies.

# Executive Summary
# Fourth Quarter of 2008

## Consolidated *Pro Forma* Statement of Income

*R$ million*

| | 4th Q/08 | 3rd Q/08 | 2008 | 2007 | Variation 4th Q/08- 3rd Q/08 | % | 2008- 2007 | % |
|---|---|---|---|---|---|---|---|---|
| **Managerial Financial Margin** | **6,736** | **6,373** | **24,511** | **20,356** | **364** | **5.7%** | **4,155** | **20.4%** |
| • Financial Margin with Customers | 6,201 | 5,631 | 22,044 | 18,152 | 569 | 10.1% | 3,892 | 21.4% |
| • Financial Margin with Market | 536 | 741 | 2,467 | 2,204 | (206) | -27.8% | 263 | 11.9% |
| **Result from Loan Losses** | **(2,281)** | **(1,715)** | **(7,241)** | **(5,108)** | **(567)** | **33.0%** | **(2,133)** | **41.8%** |
| Provision for Loan and Lease Losses | (2,664) | (2,052) | (8,503) | (6,176) | (612) | 29.8% | (2,326) | 37.7% |
| Recovery of Credits Written Off as Losses | 382 | 337 | 1,262 | 1,068 | 45 | 13.5% | 193 | 18.1% |
| **Net Result from Financial Operations** | **4,455** | **4,658** | **17,271** | **15,248** | **(203)** | **-4.4%** | **2,022** | **13.3%** |
| **Other Operating Income/(Expenses)** | **(2,118)** | **(1,524)** | **(5,657)** | **(3,780)** | **(594)** | **39.0%** | **(1,878)** | **49.7%** |
| Banking fees and charge revenues | 2,617 | 2,583 | 10,295 | 10,173 | 34 | 1.3% | 122 | 1.2% |
| Result from Operations of Insurance, Pension Plans and Cap. | 327 | 325 | 1,338 | 1,219 | 2 | 0.6% | 119 | 9.7% |
| Non-interest Expenses | (4,531) | (4,245) | (15,965) | (13,994) | (286) | 6.7% | (1,972) | 14.1% |
| Tax Expenses for ISS, PIS and Cofins | (686) | (530) | (2,169) | (1,971) | (156) | 29.4% | (199) | 10.1% |
| Equity in the Earnings of Associated Companies | 28 | 56 | 181 | 272 | (28) | -50.6% | (90) | -33.2% |
| Other Operating Income | 128 | 287 | 664 | 521 | (160) | -55.5% | 142 | 27.3% |
| **Operating Income** | **2,337** | **3,134** | **11,613** | **11,469** | **(797)** | **-25.4%** | **145** | **1.3%** |
| Non-operating Income | 5 | 20 | 28 | (0) | (14) | - | 29 | -15104.1% |
| **Income before Tax and Profit Sharing** | **2,342** | **3,153** | **11,642** | **11,469** | **(811)** | **-25.7%** | **173** | **1.5%** |
| **Income Tax and Social Contribution** | **(568)** | **(923)** | **(3,000)** | **(3,368)** | **355** | **-38.5%** | **369** | **-10.9%** |
| **Profit Sharing** | **(104)** | **(207)** | **(750)** | **(744)** | **103** | **-49.6%** | **(6)** | **0.9%** |
| **Minority Interests in subsidiaries** | **17** | **(51)** | **(174)** | **(178)** | **68** | **-132.9%** | **5** | **-2.6%** |
| **Recurring Net Income** | **1,687** | **1,973** | **7,718** | **7,179** | **(286)** | **-14.5%** | **540** | **7.5%** |

# Analysis of the Net Income

# Analysis of the Net Income

## Managerial Financial Margin

In the last quarter of 2008, Itaú obtained a managerial financial margin of R$6,736 million, up 5.7% in comparison with the financial margin of the third quarter of the year. The main components of such variation will be analyzed as follows.

**Managerial Financial Margin** *R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation | |
|---|---|---|---|---|
| | | | Balance | % |
| **Customers** | **6,201** | **5,631** | **569** | **10.1%** |
| Interest Rate Sensitive Banking Transaction: | 886 | 998 | (112) | -11.2% |
| Spread-Sensitive Banking Transactions | 5,315 | 4,633 | 682 | 14.7% |
| **Market** | **536** | **741** | **(206)** | **-27.8%** |
| Managerial of Foreign Exchange Risk from Investments (I) | 419 | 295 | 124 | 42.0% |
| Treasury (II) | 117 | 447 | (330) | -73.8% |
| **Total** | **6,736** | **6,373** | **364** | **5.7%** |

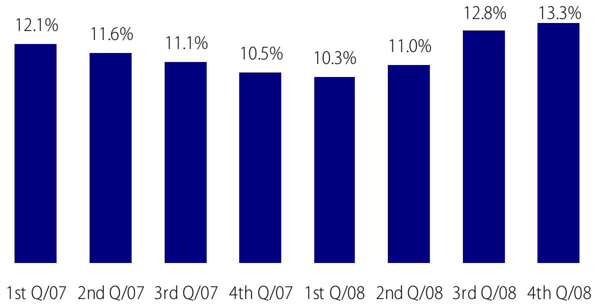
### Managerial Financial Margin with Customer

We noted an increase of 10.1% in the financial margin of the transactions carried out with clients in the fourth quarter of 2008, reaching R$ 6,201 million. The transactions that are sensitive to the interest rate presented a reduction of 11.2% in relation to the previous period, as a result, basically, of the decrease in the volume of transactions between quarters.

**Banking Transactions Sensitive to Variations in Interest Rate** *R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation | |
|---|---|---|---|---|
| | | | Balance | % |
| Average Balance | 26,708 | 31,102 | (4,395) | -14.1% |
| Financial Margin | 886 | 998 | (112) | -11.2% |
| Annualized Rate | 13.3% | 12.8% | | 43 b.p. |

**Annualized Rate of Financial Margin on Interest Rate Change-Sensitive Customer Transactions**

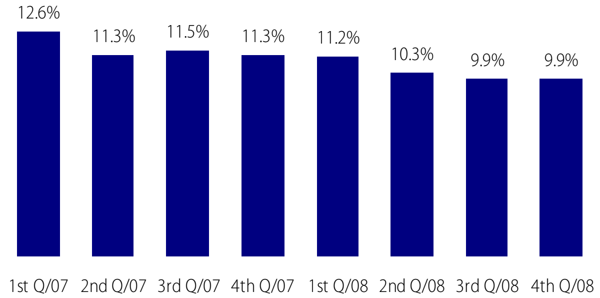



On the other hand, the transactions that are sensitive to spreads showed an increase of R$ 682 million, corresponding to an increase of 14.7% in comparison with the previous quarter. This growth is associated with the increase of R$16,133 million in the average balance of loans and financing transactions, since the spread remained stable at 9.9% in the last quarter of the year.

**Banking Transactions Sensitive to Spread** *R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation | |
|---|---|---|---|---|
| | | | Balance | % |
| Average Balance | 214,193 | 186,300 | 27,894 | 15.0% |
| Financial Margin | 5,315 | 4,633 | 682 | 14.7% |
| Annualized Rate | 9.9% | 9.9% | | 0 b.p. |

**Annualized Rate of Financial Margin on Spread-Sensitive Customer Transactions**




### Managerial Financial Margin with the Market

In the last quarter, the financial margin of the transactions with the market totaled R$ 536 million, down 27.8% in relation to the previous quarter, and the financial margin of the exchange risk administration of investments abroad totaled R$ 419 million, compared with R$ 295 million of the previous quarter.

The treasury result reached R$117 million in the fourth quarter of 2008, which corresponds to a decrease of 73.8% in relation to the previous period. The treasury margin in the fourth quarter was affected by the reduction in the result from hedge of interest positions abroad, by the decrease in the result from exchange derivatives, due to the impact of the drop of the exchange coupon, and was partially compensated by the increase in the result derived from own positions.

**Financial Margin with the Market- Managerial of Foreign Exchange Risk from Investments (I)** *R$ million*

| | 4th Quarter of 2008 | | | | 3rd Quarter of 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | Initial Balance | Result Gross of Taxes | Tax Effects | Result Net of Taxes | Initial Balance | Result Gross of Taxes | Tax Effects | Result Net of Taxes |
| Capital Investments Abroad (A) | 12,374 | | | | 10,294 | | | |
| Exchange Variation on Investments Abroad (B) | | 2,699 | | 2,699 | | 1,896 | | 1,896 |
| Effect of exchange risk management of investments abroad (C)=(D)+(E) | | (4,298) | 2,018 | (2,281) | | (2,973) | 1,372 | (1,602) |
| Assets Position in DI (D) | 12,374 | 420 | | 420 | 10,294 | 341 | | 341 |
| Liabilities Position in Foreign Currency (E) | (21,628) | (4,718) | 2,018 | (2,701) | (17,993) | (3,315) | 1,372 | (1,943) |
| **Managerial Financial Margin of Exchange Risk of Investments Abroad (F) = (B) + (C)** | | **(1,599)** | **2,018** | **419** | | **(1,077)** | **1,372** | **295** |

# Analysis of the Net Income

## Managerial Financial Margin

The factors previously described resulted in a net interest margin (NIM - annualized rate of the management financial margin, not taking the treasury financial margin into consideration) of 10.4% in the last quarter of the year, opposing a 10.4% rate in relation to the third quarter. Considering the impact of the provision expense for loan losses, net of the recovery of credits written off as losses, the NIM after provisions reached 6.8% compared with 7.4% in the previous period.

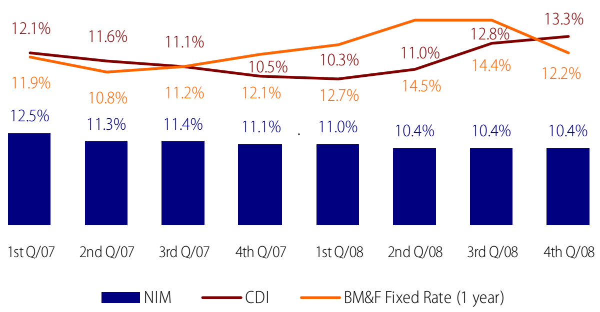
### Analysis of the Managerial Financial Margin

R$ million

| | 4th Q/08 | | | 3rd Q/08 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Financial Margin | CDI (p.y.) | Average Balance | Financial Margin | CDI (p.y.) |
| Demand Deposits + Floatings | 28,884 | | | 25,184 | | |
| (-) Compulsory Deposits | (9,227) | | | (8,793) | | |
| Contingent Liabilities (-) Contingent Assets | 963 | | | 278 | | |
| Tax and Social Security Liabilities (-) Deposits in guarantee | 10,886 | | | 10,000 | | |
| (-) Tax Credits | (15,521) | | | (9,568) | | |
| Working Capital (Equity + Minority Interests - Permanent Assets - Capital Allocated to Treasury) | 10,723 | | | 14,002 | | |
| **Interest Rate Sensitive Banking Transactions Performed with Customers (A)** | **26,708** | **886** | **13.3%** | **31,102** | **998** | **12.8%** |
| | **Average Balance** | **Financial Margin** | **Spread (p.y.)** | **Average Balance** | **Financial Margin** | **Spread (p.y.)** |
| Cash and Cash Equivalents + Interbank Deposits + Securities (*) | 58,739 | | | 40,094 | | |
| Interbank and Interbranch Accounts | 7,168 | | | 12,015 | | |
| Loans, Leasing and Other Credits | 159,080 | | | 142,947 | | |
| (Allowance for Loan Losses) | (11,350) | | | (8,588) | | |
| Net Foreign Exchange Portfolio (Asset/Liability) | 557 | | | (168) | | |
| **Spread-Sensitive Banking Transactions Performed with Customers (B)** | **214,193** | **5,315** | **9.9%** | **186,300** | **4,633** | **9.9%** |
| **Managerial Financial Margin with Customer (C = A+B)** | **240,901** | **6,201** | **10.3%** | **217,401** | **5,631** | **10.4%** |
| **Managerial of Foreign Exchange Risk from Investments (I) (D)** | **12,619** | **419** | **13.3%** | **10,636** | **295** | **11.1%** |
| **Net Interest Margin *(E = C+D)*** | **253,520** | **6,619** | **10.4%** | **228,037** | **5,926** | **10.4%** |
| **Provision for Loan and Lease Losses (F)** | | **(2,664)** | | | **(2,052)** | |
| **Recovery of Credits Written Off as Losses (G)** | | **382** | | | **337** | |
| **Net Interest Margin after Provision for Credit Risk (H = E+F+G)** | **253,520** | **4,338** | **6.8%** | **228,037** | **4,211** | **7.4%** |
| **Treasury Financial Margin (II) (J)** | | **117** | | | **447** | |
| **Net Result from Financial Operations (L = H+J)** | | **4,455** | | | **4,658** | |

(*) Cash and Cash Equivalents + Interbank Deposits + Securities (-) Securities related to Repurchase Liability (-) Derivative financial instruments
(-) Banking Transactions Sensitive to Variations in Interest Rate (-) Investments Abroad.
Note: Spread is the annualized difference between the earnings of assets and their opportunity costs.

### Net Interest Margin (NIM) x CDI X BM&F Fixed Rate (1 year)



## Analysis of the Consolidated Net Income

### Results from Loan and Lease Losses

**Expenses for Provision for Loan Losses and Recovery of Credits Written-off as Losses**

*R$ million*

| | 4th Q/08 | 3rd Q/08 | 2008 | 2007 | Variation 4th Q/08 - 3rd Q/08 | |
|---|---|---|---|---|---|---|
| Provision for Loan and Lease Losses | (2,664) | (2,052) | (8,503) | (6,176) | (612) | 29.8% |
| Recovery of Credits Written Off as Losses | 382 | 337 | 1,262 | 1,068 | 45 | 13.5% |
| **Result from Loan Losses** | **(2,281)** | **(1,715)** | **(8,513)** | **(5,108)** | **(567)** | **33.0%** |

In the fourth quarter of 2008, the provision for loan losses added up to R$ 2,664 million, representing a 29.8% increase compared to the prior quarter. Such growth is chiefly attributable to risk re-ratings of large companies, as well as the impact of the economic downturn on the risk quality of micro, small and mid-sized companies and individual customer portfolios. The deepening of the crisis in the international financial markets, seen as from mid-September 2008, prompted a sudden decline in the economic activity level, which in turn drove higher delinquency levels on the part of borrowers that were more exposed to the effects of the crisis.

The fast downturn in the economic cycle led to a reversal in our nonperforming loan ratio trend. Accordingly, in the fourth quarter of 2008 this ratio reached 5.0%, corresponding to a 10 basis point increase in comparison with the prior quarter. The nonperforming ratio of our individual customer transactions stood at 8.1% in the period, increasing by 30 basis point from the prior quarter. At the same time, the ratio seen in our company customer portfolio reached 1.9% in the fourth quarter, equal to a 20 basis point growth. It's important to emphasize that, in this quarter, we have not made any credit assignments. So, we have adjusted the historic ratios series not taking in account credit assignments made in previous quarters.

As a result of our collection activities, revenues from the recovery of loans previously written-off as losses increased by 13.5% from the prior period, to total R$ 382 million in the fourth quarter of 2008.

**Nonperforming Loans**

*R$ million*

| | Dec 31,08 | Sep 30,08 | Dec 31,07 |
|---|---|---|---|
| Total *Nonperforming Loans* (a) | 7,701 | 5,965 | 5,055 |
| Credit Portfolio (b) | 167,146 | 151,015 | 115,548 |
| Credit Assignments (c) | 734 | 1,536 | 1,578 |
| *NPL Ratio* [(a)/(b)] x 100 | 4.6% | 4.0% | 4.4% |
| *NPL Ratio* [(a) + (c)]/[(b)+ (c)] x 100 | 5.0% | 4.9% | 5.7% |

(a) Loans overdue for more than 60 days and without generation of revenues on the accrual basis.
(b) Endorsements and sureties not included.
(c) Balance of Credit Assignments in previous quarters.

**Overdue Loans**

*R$ million*

| | Dec 31,08 | Sep 30,08 | Dec 31,07 |
|---|---|---|---|
| Overdue Loans (a) | 13,361 | 10,105 | 8,664 |
| Balance of Provision for Loan and Lease | (13,912) | (8,789) | (7,926) |
| Difference (b+a) | (551) | 1,316 | 739 |

Overdue loans are credit transactions having at least one installment more than 15 days overdue, irrespective of collateral provided.

## Analysis of the Consolidated Net Income

### Banking fee revenues and Banking charge revenues

R$ million

| | | 4th Q/08 | 3rd Q/08 | 2008 | 2007 | Variation 4th Q/08 - 3rd Q/08 | | Variation 2008 - 2007 | |
|---|---|---|---|---|---|---|---|---|---|
| **Banking Services Fees (I)** | | **1,980** | **1,922** | **7,661** | **7,286** | **58** | **3.0%** | **375** | **5.1%** |
| Asset Management | A | 441 | 476 | 1,892 | 2,006 | (35) | -7.4% | (114) | -5.7% |
| Current Account Services | | 51 | 43 | 176 | 180 | 8 | 19.2% | (4) | -2.4% |
| Loan Operations and Guarantees Provided | | 228 | 207 | 850 | 740 | 21 | 10.1% | 110 | 14.9% |
| Collection Services | B | 292 | 264 | 1,044 | 902 | 28 | 10.8% | 143 | 15.8% |
| Credit Cards | C | 710 | 663 | 2,606 | 2,349 | 48 | 7.2% | 258 | 11.0% |
| Other | D, E | 257 | 269 | 1,093 | 1,111 | (12) | -4.6% | (18) | -1.6% |
| **Banking charge income (II)** | | **637** | **661** | **2,634** | **2,886** | **(24)** | **-3.7%** | **(253)** | **-8.8%** |
| Standing data / Credit transactions (*) | F | 355 | 395 | 1,527 | 1,531 | (41) | -10.3% | (4) | -0.2% |
| Deposit account | | 19 | 17 | 66 | 47 | 2 | 10.5% | 19 | 41.6% |
| Fund transfer | | 21 | 20 | 74 | 73 | 1 | 5.3% | 1 | 1.5% |
| Service packages and other | G | 242 | 228 | 967 | 1,236 | 14 | 6.0% | (269) | -21.8% |
| **Total (I+II)** | | **2,617** | **2,583** | **10,295** | **10,173** | **34** | **1.3%** | **122** | **1.2%** |

(*) Includes standing data and advances to depositors fees, as well as the reclassified fees previously charged on credit opening, which were suspended as from May/08.

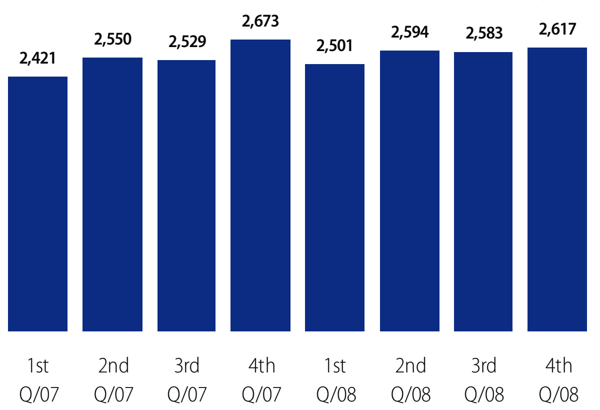
Banking fee revenues, including banking charges, increased by 1.3% compared to the third quarter of 2008, mainly driven by:

A) Decline in fund management revenues as a result of the decreased volume of assets under management. Such assets have migrated to time deposit transactions.

B) Growth arising from the increased fees for collection services.

C) Seasonal growth related to a higher level of transactions during the fourth quarter.

### Banking fee revenues and Banking charge revenues




### Other

R$ million

| | | 4th Q/08 | 3rd Q/08 | Variation |
|---|---|---|---|---|
| Foreign Exchange Services | | 21 | 19 | 2 |
| Income from Brokerage and Securities Placement | D | 59 | 69 | (10) |
| Income from Consultation to Serasa | | 2 | 1 | 0 |
| Income from Custody Services and Management of Portfolio | | 40 | 40 | (0) |
| Income from Economic and Financial Advisory | E | 21 | 36 | (15) |
| Commission Income | | 9 | 19 | (10) |
| Other Services | | 106 | 84 | 21 |
| **Total** | | **257** | **269** | **(12)** |

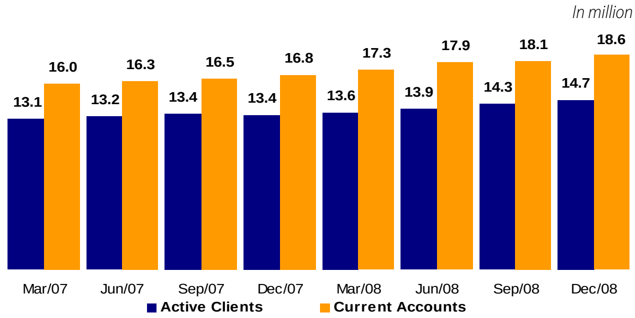
D) Lower volume of public offers of shares.

E) Lower volume of Investment Banking services.

F) Decline driven by the loyalty policy in the customer record renewal fee, as well as the decrease in vehicle financing transactions.

G) Growth in the base of account holders who use the *maxiconta* package.

### Number of Active Clients (*) and Current Accounts




(*) Conceptually, a client (represented by a CPF/CNPJ number) is considered active when performing one or more transactions in a current account in the last six months or having an average account balance not null.

# Analysis of the Consolidated Net Income

## Non-interest Expenses

R$ million

| | 4th Q/08 | 3rd Q/08 | 2008 | 2007 | Variation 4thQ/08 - 3rdQ/08 | | Variation 2008 - 2007 | |
|---|---|---|---|---|---|---|---|---|
| Personnel Expenses | (1,876) | (1,641) | (6,489) | (5,525) | (235) | 14.3% | (964) | 17.4% |
| Other Administrative Expenses | (2,184) | (1,854) | (7,266) | (6,435) | (329) | 17.8% | (831) | 12.9% |
| Other Operating Expenses | (421) | (665) | (1,982) | (1,584) | 244 | -36.7% | (398) | 25.2% |
| Tax Expenses | (50) | (85) | (229) | (450) | 35 | -40.9% | 220 | -49.0% |
| **Total** | **(4,531)** | **(4,245)** | **(15,966)** | **(13,994)** | **(286)** | **6.7%** | **(1,973)** | **14.1%** |

Expenses in the fourth quarter of 2008 were 6.7% up from the third quarter, mostly driven by personnel expenses and other administrative expenses.

## Personnel Expenses

R$ million

| | | 4th Q/08 | 3rd Q/08 | Variation |
|---|---|---|---|---|
| Compensation | A | (1,110) | (981) | (129) |
| Charges | A | (307) | (288) | (19) |
| Social Benefits | A | (255) | (226) | (29) |
| Training | | (32) | (34) | 2 |
| Employee Resignation and Labor Claims | B | (172) | (112) | (60) |
| **Total** | | **(1,876)** | **(1,641)** | **(235)** |

Personnel expenses increased by 14.3% quarter-on-quarter. The main drivers were:

A) Impact of the Collective Labor Agreement (CCT), whereby compensation amounts were increased by 8.15% or 10%, in accordance with the salary level.

B) Higher expenses setting up provisions for labor claims.

## Other Administrative Expenses

R$ million

| | | 4th Q/08 | 3rd Q/08 | Variation |
|---|---|---|---|---|
| Data Processing and Telecommunication | C | (498) | (463) | (35) |
| Depreciation and Amortization | D | (186) | (152) | (33) |
| Facilities | E | (295) | (240) | (55) |
| Third-Party Services | F | (445) | (354) | (90) |
| Financial System Service | | (180) | (145) | (36) |
| Advertising, Promotions and Publications | G | (216) | (160) | (56) |
| Transportation | | (79) | (74) | (5) |
| Materials | | (65) | (63) | (2) |
| Security | | (61) | (59) | (2) |
| Legal | | (12) | (7) | (5) |
| Travel | | (31) | (25) | (6) |
| Others | | (116) | (112) | (4) |
| **Total** | | **(2,184)** | **(1,854)** | **(329)** |

Other administrative expenses grew by 17.8%. The main drivers were:

C) Increased expenses for software rental and maintenance, systems consulting, data transmission and mailing services.

D) A result of higher investments made by the Bank during the prior quarters, leading to an increase in depreciable goods and assets.

E) Higher expenses for upkeep and maintenance of goods, as well as higher expenses for utilities and rental of properties.

F) Increased expenses for the acquisition of customer historical information, as well as higher advisory and consulting expenses.

G) Increased advertising, promotion and publication expenses due to Itaucard and funding advertising campaigns and the sponsorship of CBF.

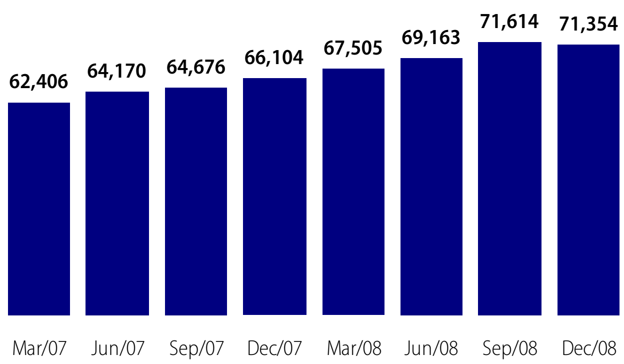
## Other Operating Expenses

R$ million

| | | 4th Q/08 | 3rd Q/08 | Variation |
|---|---|---|---|---|
| Provision for contingencies | H | (209) | (384) | 175 |
| Selling - Credit Cards | | (94) | (135) | 41 |
| Claims | | (88) | (81) | (7) |
| Others | | (29) | (65) | 36 |
| **Total** | | **(421)** | **(665)** | **244** |

H) Other operating expenses declined by 36.7%, essentially due to lower provisions for fiscal contingences.

**Number of Employees**

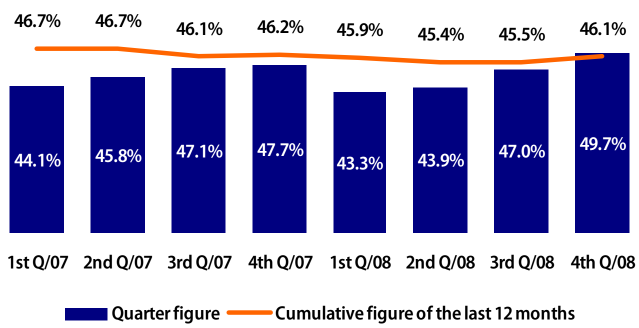


## Analysis of the Consolidated Net Income

### Efficiency Ratio (*)

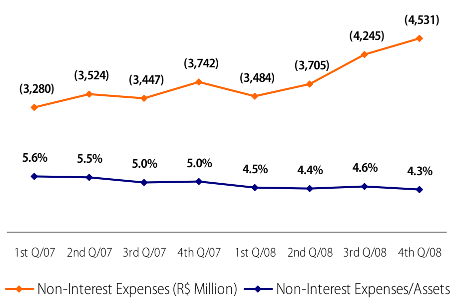
The fourth quarter efficiency ratio reached 49.7%, a 270 basis point increase in relation to the prior quarter index, driven by the growth of non-interest expenses at a faster pace when compared to the revenues´ growth.

**Eficiency Ratio (*)**



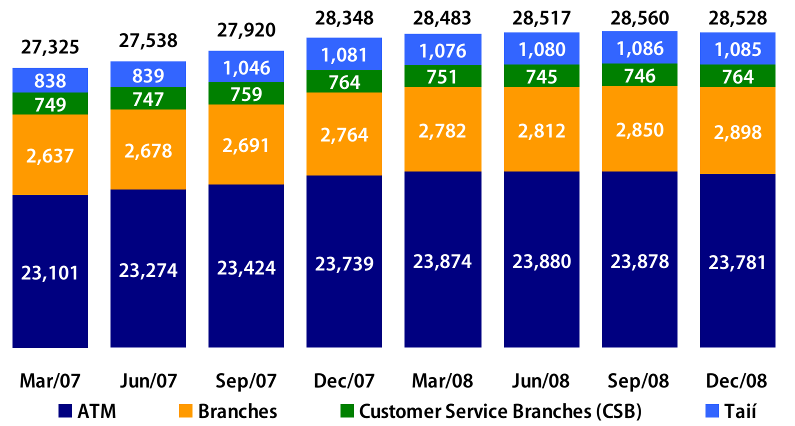

(*) Efficiency Ratio = $\dfrac{\text{Non-Interest Expenses (Personnel Expenses + Other Administrative Expenses + Other Operating Expenses + Tax Expenses)}}{\text{(Managerial Financial Margin + Banking Service Fees and Charge Revenues + Operating Result of Insurance, Capitalization and Pension Plans + Other Operating Income + Tax Expenses for PIS/COFINS/ISS)}}$

**Performance of Non-Interest Expenses and Ratio of Non-Interest Expenses to Assets (**)**




(**) Division of Non-Interest Expenses by the arithmetic average of total assets for the two past quarters (annualized).

**History of Numbers of Points of Service (***)**




(***) Includes Banco Itaú Argentina and Banco Itaú BBA. As from Mar/07, considers Chile and Uruguay companies' information. Does not include PDVs and TecBan's ATM - Banco 24hs (5.306 in dec/08).

In the 4th quarter the decrease of sales points was due to the reduction in the total of ATMs. The amount of branches kept the growth tendency.

**Volume of Self-Service Transactions**

*In millions*

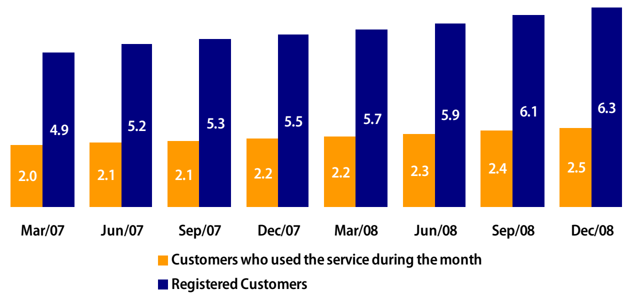
| Period | ATM | | Contact Centers | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Usual Transaction | Warning (****) | Automated Programmed Debit | Interactive Voice Response | Customer Service Agent | Home & Office Banking | Purchases using Debit Cards | Total |
| **2002** | **946** | **192** | **284** | **179** | **52** | **344** | **89** | **2,086** |
| **2003** | **1,033** | **586** | **302** | **188** | **53** | **440** | **121** | **2,723** |
| **2004** | **1,074** | **692** | **322** | **170** | **48** | **525** | **158** | **2,987** |
| **2005** | **1,108** | **656** | **375** | **173** | **67** | **646** | **203** | **3,228** |
| **2006** | **1,141** | **602** | **394** | **167** | **57** | **744** | **239** | **3,343** |
| **2007** | **1,181** | **549** | **399** | **158** | **62** | **867** | **281** | **3,497** |
| 1stQ/07 | 300 | 142 | 100 | 40 | 15 | 206 | 63 | 867 |
| 2ndQ/07 | 287 | 141 | 99 | 39 | 15 | 216 | 66 | 862 |
| 3rdQ/07 | 288 | 132 | 100 | 39 | 16 | 218 | 70 | 863 |
| 4thQ/07 | 305 | 134 | 100 | 40 | 16 | 228 | 82 | 905 |
| **2008** | **1,292** | **609** | **370** | **161** | **76** | **1,123** | **352** | **3,983** |
| 1stQ/08 | 315 | 137 | 98 | 39 | 16 | 245 | 78 | 927 |
| 2ndQ/08 | 313 | 146 | 89 | 39 | 18 | 263 | 83 | 951 |
| 3rdQ/08 | 325 | 157 | 84 | 42 | 21 | 289 | 89 | 1,007 |
| 4thQ/08 | 340 | 169 | 99 | 41 | 21 | 326 | 102 | 1,099 |

(****) Transaction through warning screen on ATM.

## Analysis of the Consolidated Net Income

**Internet Banking Clients**

*In millions*




More than 200 thousand new customers were enabled to use Internet Banking in the fourth quarter of 2008. The number of Internet Banking accesses shows continued growth since the beginning of the year, to reach the peak of two million, five hundred thousand in December.

### Tax Expenses for ISS, PIS and Cofins

Tax expenses are 29.4% higher than those of the previous quarter, mainly as a result of PIS and Cofins, due on the income from interest on capital distributed by the conglomerate companies, as well as by the growth of financial margin and banking fees and charge revenues.

### Income Tax and Social Contribution on Net Incone

After excluding nonrecurring effects and hedge effects on investments abroad, the expense with Income Tax and Social Contribution on Net Profits of the fourth quarter of 2008 is 38.5% lower than in the previous quarter, mainly as a result of the reduction in the taxable results.

The expenses for Social Contribution on Net Profits, due in the short term remains without the effect of increase of the rate from 9% to 15%, as a result of the constitution on a tax credit in an amount that is sufficient to nullify such effect, in view of the fact that the bank's Administration believes that the Direct Action of Unconstitutionality, filed by the National Confederation of the Financial System (Confederação Nacional do Sistema Financeiro – Consif) will be successful.

*R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation |
|---|---|---|---|
| **Result before Income Tax (IR) and Social Contribution (CSLL)** | **402** | **1,803** | **(1,401)** |
| **Income Tax and Social Contribution at the rates of 25% and 9% respectively (A)** | **(137)** | **(613)** | **476** |
| **(Inclusions) Exclusions and Other (B)** | **1,507** | **1,114** | **393** |
| Exchange Variation on Investments Abroad | 775 | 594 | 181 |
| Interest on Own Capital | 74 | 162 | (88) |
| Dividends, Interest on External Debt Bonds and Tax Incentives | 129 | 78 | 51 |
| Other | 529 | 279 | 249 |
| **Subtotal (C) = (A) + (B)** | **1,370** | **501** | **869** |
| Exclusion of Exchange Variation and Tax Effects on Hedges of Investments Abroad and Sovereign Bonds (D) | (1,938) | (1,423) | (515) |
| **Income Tax and Social Contribution (C)+(D)** | **(568)** | **(923)** | **355** |

# *Pro forma* Financial Statements by Segment and Subsegment

## *Pro Forma* Financial Statements by Segment

### Allocated Capital

The pro forma financial information takes into account the impacts associated with the allocation of capital. To this end, adjustments were made to the financial statements, based on a proprietary model that considers the credit, market and operating risks, as well as the regulatory framework and the level of fixed asset formation.

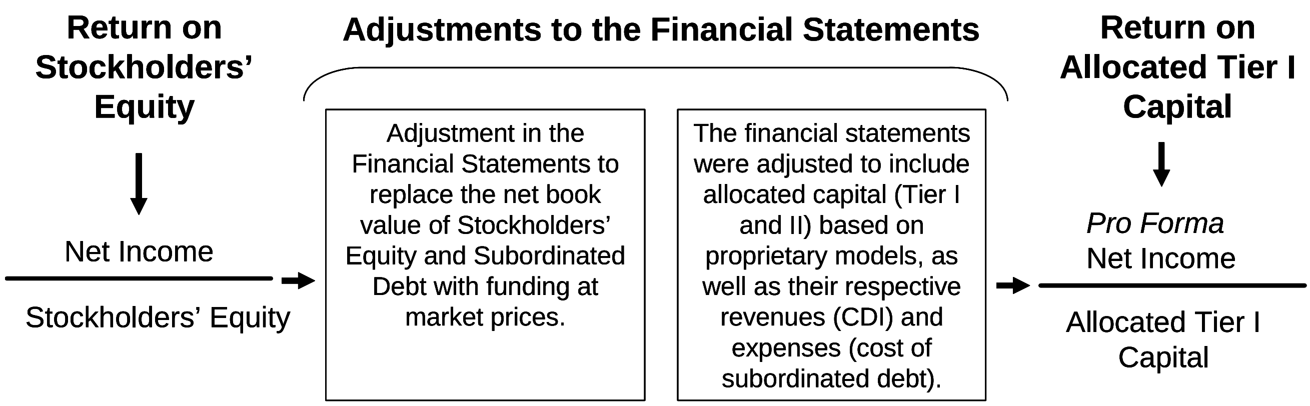
We then determine the Risk Adjusted Return on Capital (Raroc), an operating performance indicator consistently adjusted to the capital required to support the risk of asset and liability positions taken.

Adjustments made to the balance sheet and statement of income for the period are based on the business units' managerial information.

The Corporate column shows the results associated with excess capital and subordinated debt. It also shows the equity in the earnings of companies not pertaining to any one segment, as well as the adjustment for Minority Interests in Subsidiaries.

Income Tax and Social Contribution on Net Income effects on the payment of Interest on Own Capital for each segment were reversed and subsequently reallocated to the individual segments in proportion to the amount of Tier I capital, while the financial statements were adjusted in order to replace net book value with market level funding. The financial statements were then adjusted to include revenues associated with the allocated capital. Finally, the cost of subordinated debt and the related remuneration at market prices were allocated to the segments on a pro rata basis, in accordance with Tier I allocated capital.

The diagram below shows the changes introduced in the financial statements to reflect the impacts of capital allocation.



## *Pro Forma* Financial Statements per Segment

The *pro forma* financial statements of Itaubanco, Itaú BBA and Itaucred presented below are based on managerial models, to better reflect the performance of the business units.

**On December 31, 2008**

*R$ million*

| ASSETS | Itaú *Pro Forma* Itaubanco | Itaú BBA | Itaucred | Corporation | Itaú |
|---|---|---|---|---|---|
| **Current and Long-Term Assets** | **352,575** | **138,834** | **52,163** | **10,499** | **444,174** |
| Cash and Cash Equivalents | 11,573 | 236 | - | - | 11,809 |
| Short-term Interbank Deposits | 137,135 | 46,816 | - | - | 85,586 |
| Short-term Interbank Deposits in the Market | 85,206 | 4,295 | - | - | 85,586 |
| Short-term Interbank Deposits in Intercompany* | 51,930 | 42,521 | - | - | - |
| Securities | 62,658 | 30,949 | - | 11,170 | 97,540 |
| Interbank and Interbranch Accounts | 11,953 | 22 | - | - | 11,961 |
| Loans | 67,440 | 46,703 | 53,008 | - | 167,146 |
| (Allowance for Loan Losses) | (6,108) | (814) | (3,871) | (3,118) | (13,912) |
| Other Assets | 67,924 | 14,921 | 3,026 | 2,447 | 84,044 |
| Foreign Exchange Portfolio | 34,240 | 12,060 | - | - | 43,425 |
| Others | 33,683 | 2,861 | 3,026 | 2,447 | 40,619 |
| **Permanent Assets** | **5,584** | **173** | **152** | **611** | **6,519** |
| TOTAL ASSETS | 358,158 | 139,007 | 52,315 | 11,110 | 450,693 |

| LIABILITIES AND EQUITY | Itaú *Pro Forma* Itaubanco | Itaú BBA | Itaucred | Corporation | Itaú |
|---|---|---|---|---|---|
| **Current and Long-Term Liabilities** | **341,768** | **131,736** | **47,525** | **4,779** | **415,910** |
| Deposits | 157,148 | 73,167 | 13 | - | 150,673 |
| Deposits with Clients | 130,196 | 21,237 | 13 | - | 150,673 |
| Deposits with Intercompany* | 26,952 | 51,930 | - | - | - |
| Securities Repurchase Agreements | 55,842 | 13,338 | 40,547 | - | 91,006 |
| Securities Repurchase Agreements in the Market | 40,273 | 12,458 | 40,547 | - | 91,006 |
| Securities Repurchase Agreements with Intercompany* | 15,569 | 880 | - | - | - |
| Funds from Acceptances and Issue of Securities | 8,601 | 3,234 | - | - | 11,103 |
| Interbank and Interbranch Accounts | 310 | 1,877 | 0 | - | 2,172 |
| Borrowings and On-Lendings | 7,761 | 15,876 | 424 | - | 24,062 |
| Derivative Financial Instruments | 6,318 | 8,210 | - | - | 8,008 |
| Other Liabilities | 76,838 | 16,033 | 6,541 | 4,779 | 99,936 |
| Foreign Exchange Portfolio | 34,367 | 11,139 | - | - | 42,631 |
| Others | 42,471 | 4,895 | 6,541 | 4,779 | 57,305 |
| Technical Provisions of Insurance, Capitalization and Pension Plans | 28,950 | - | - | - | 28,950 |
| **Deferred Income** | **77** | **42** | **-** | **-** | **119** |
| **Minority Interest in Subsidiaries** | **-** | **-** | **-** | **1,317** | **1,317** |
| **Allocated Tier I Capital** | **16,313** | **7,230** | **4,790** | **5,014** | **33,347** |
| TOTAL LIABILITIES AND EQUITY | 358,158 | 139,007 | 52,315 | 11,110 | 450,693 |

*The Intercompany were eliminated in the Consolidated.

***Pro Forma* Financial Statement by Segment**

*R$ million*

| 4th Quarter/08 | Itaú *Pro Forma* Itaubanco | Itaú BBA | Itaucred | Corporation | Itaú |
|---|---|---|---|---|---|
| **Managerial Financial Margin** | **4,068** | **984** | **1,542** | **143** | **6,736** |
| • Financial Margin with Customers | 3,805 | 711 | 1,542 | 143 | 6,201 |
| • Financial Margin with Market | 263 | 273 | - | - | 536 |
| **Result from Loan Losses** | **(1,186)** | **(347)** | **(748)** | **-** | **(2,281)** |
| Provision for Loan and Lease Losses | (1,414) | (350) | (900) | - | (2,664) |
| Recovery of Credits Written Off as Losses | 228 | 2 | 152 | - | 382 |
| **Net Result from Financial Operations** | **2,883** | **637** | **794** | **143** | **4,455** |
| **Other Operating Income/(Expenses)** | **(1,420)** | **(210)** | **(383)** | **(105)** | **(2,118)** |
| Banking fees and charge revenues | 2,117 | 146 | 355 | - | 2,617 |
| Operating Result of Insurance, Pension Plans and Capitalization | 307 | 0 | 20 | - | 327 |
| Non-interest Expenses | (3,590) | (264) | (660) | (21) | (4,531) |
| Tax Expenses for ISS, PIS and Cofins | (356) | (51) | (128) | (151) | (686) |
| Equity in the Earnings of Associated Companies | 0 | 2 | - | 25 | 28 |
| Other Operating Income | 102 | (43) | 30 | 41 | 128 |
| **Operating Income** | **1,463** | **426** | **411** | **38** | **2,337** |
| Non-operating Income | 9 | (4) | 1 | 0 | 5 |
| **Income Before Tax and Profit Sharing** | **1,472** | **423** | **412** | **38** | **2,342** |
| **Income Tax and Social Contribution** | **(417)** | **(106)** | **(120)** | **74** | **(568)** |
| **Profit Sharing** | **(56)** | **(31)** | **(18)** | **-** | **(104)** |
| **Minority Interests** | **-** | **-** | **-** | **15** | **17** |
| **Recurring Net Income** | **1,000** | **286** | **274** | **127** | **1,687** |
| (RAROC) - Return on Average Tier I Allocated Capital | 25.3% | 16.1% | 23.5% | 10.5% | 20.8% |
| Efficiency Ratio | 57.5% | 25.5% | 36.3% | 62.3% | 49.7% |

Note: Non-interest Expenses item is made up of Personnel Expenses, Other Administrative Expenses, Tax Expenses and Other Operating Expenses.
Note: The Consolidated figures do not represent the sum of the parts, because there are transactions between the companies that were eliminated only in the Consolidated figures.

## *Pro Forma* Financial Statements by Segment

### On September 30, 2008

*R$ million*

| ASSETS | Itaú *Pro Forma* Itaubanco | Itaú BBA | Itaucred | Corporation | Itaú |
|---|---|---|---|---|---|
| **Current and Long-Term Assets** | **319,273** | **136,252** | **50,952** | **8,910** | **389,920** |
| Cash and Cash Equivalents | 5,506 | 515 | - | - | 6,021 |
| Short-term Interbank Deposits | 141,351 | 57,314 | - | - | 86,491 |
| Short-term Interbank Deposits in the Market | 85,995 | 4,044 | - | - | 86,491 |
| Short-term Interbank Deposits in Intercompany* | 55,355 | 53,269 | - | - | - |
| Securities | 52,207 | 24,956 | - | 8,870 | 81,607 |
| Interbank and Interbranch Accounts | 20,641 | 220 | - | - | 20,828 |
| Loans | 61,779 | 38,124 | 51,117 | - | 151,015 |
| (Allowance for Loan Losses) | (4,945) | (497) | (3,347) | - | (8,789) |
| Other Assets | 42,734 | 15,621 | 3,181 | 40 | 52,747 |
| Foreign Exchange Portfolio | 19,760 | 13,289 | - | - | 24,268 |
| Others | 22,974 | 2,332 | 3,181 | 40 | 28,479 |
| **Permanent Assets** | **5,251** | **166** | **130** | **1,133** | **6,679** |
| TOTAL ASSETS | 324,523 | 136,418 | 51,081 | 10,043 | 396,599 |

| LIABILITIES AND EQUITY | Itaú *Pro Forma* Itaubanco | Itaú BBA | Itaucred | Corporation | Itaú |
|---|---|---|---|---|---|
| **Current and Long-Term Liabilities** | **309,115** | **129,399** | **46,540** | **2,959** | **362,547** |
| Deposits | 135,419 | 68,324 | 16 | - | 113,078 |
| Deposits with Clients | 100,907 | 12,969 | 16 | - | 113,078 |
| Deposits with Intercompany* | 34,513 | 55,355 | - | - | - |
| Securities Repurchase Agreements | 66,441 | 20,384 | 40,480 | - | 105,803 |
| Securities Repurchase Agreements in the Market | 47,685 | 20,303 | 40,480 | - | 105,803 |
| Securities Repurchase Agreements with Intercompany* | 18,757 | 82 | - | - | - |
| Funds from Acceptances and Issue of Securities | 8,138 | 3,156 | - | - | 10,583 |
| Interbank and Interbranch Accounts | 2,922 | 1,947 | 0 | - | 4,836 |
| Borrowings and On-Lendings | 6,729 | 13,758 | 321 | - | 20,808 |
| Derivative Financial Instruments | 3,567 | 4,408 | - | - | 5,094 |
| Other Liabilities | 58,325 | 17,421 | 5,723 | 2,959 | 74,771 |
| Foreign Exchange Portfolio | 19,712 | 13,019 | - | - | 23,949 |
| Others | 38,613 | 4,403 | 5,723 | 2,959 | 50,822 |
| Technical Provisions of Insurance, Capitalization and Pension Plans | 27,573 | - | - | - | 27,573 |
| **Deferred Income** | **58** | **32** | **-** | **-** | **90** |
| **Minority Interest in Subsidiaries** | **0** | **(0)** | **-** | **2,371** | **2,371** |
| **Allocated Tier I Capital** | **15,350** | **6,987** | **4,542** | **4,713** | **31,591** |
| TOTAL LIABILITIES AND EQUITY | 324,523 | 136,418 | 51,081 | 10,043 | 396,599 |

*The Intercompany were eliminated in the Consolidated.

### *Pro Forma* Financial Statement by Segment

*R$ million*

| 3rd Quarter/08 | Itaú *Pro Forma* Itaubanco | Itaú BBA | Itaucred | Corporation | Itaú |
|---|---|---|---|---|---|
| **Managerial Financial Margin** | **3,905** | **749** | **1,486** | **232** | **6,373** |
| • Financial Margin with Customers | 3,353 | 559 | 1,486 | 232 | 5,631 |
| • Financial Margin with Market | 552 | 190 | - | - | 741 |
| **Result from Loan Losses** | **(925)** | **(58)** | **(732)** | **-** | **(1,715)** |
| Provision for Loan and Lease Losses | (1,160) | (62) | (829) | - | (2,052) |
| Recovery of Credits Written Off as Losses | 235 | 4 | 97 | - | 337 |
| **Net Result from Financial Operations** | **2,980** | **691** | **754** | **232** | **4,658** |
| **Other Operating Income (Expenses)** | **(1,063)** | **(138)** | **(325)** | **2** | **(1,524)** |
| Banking fees and charge revenues | 2,030 | 167 | 387 | - | 2,583 |
| Operating Result of Insurance, Pension Plans and Capitalization | 303 | (0) | 22 | - | 325 |
| Non-interest Expenses | (3,311) | (243) | (663) | (29) | (4,245) |
| Tax Expenses for ISS, PIS and Cofins | (315) | (66) | (132) | (16) | (530) |
| Equity in the Earnings of Associated Companies | (0) | 3 | - | 52 | 56 |
| Other Operating Income | 231 | 1 | 61 | (5) | 287 |
| **Operating Income** | **1,917** | **553** | **429** | **234** | **3,134** |
| Non-operating Income | 20 | (3) | 0 | 2 | 20 |
| **Income Before Tax and Profit Sharing** | **1,937** | **550** | **429** | **237** | **3,153** |
| **Income Tax and Social Contribution** | **(591)** | **(182)** | **(128)** | **(21)** | **(923)** |
| **Profit Sharing** | **(149)** | **(46)** | **(12)** | **-** | **(207)** |
| **Minority Interests** | **-** | **-** | **-** | **(50)** | **(51)** |
| **Recurring Net Income** | **1,197** | **322** | **289** | **165** | **1,973** |
| (RAROC) - Return on Average Tier I Allocated Capital | 31.7% | 19.3% | 26.0% | 14.0% | 25.5% |
| Efficiency Ratio | 53.8% | 28.5% | 36.3% | 13.9% | 47.0% |

Note: Non-interest Expenses item is made up of Personnel Expenses, Other Administrative Expenses, Tax Expenses and Other Operating Expenses.
Note: The Consolidated figures do not represent the sum of the parts, because there are transactions between the companies that were eliminated only in the Consolidated figures.

## *Pro Forma* Financial Statements by Subsegment

The *pro forma* financial statements of the subsegments Branch Banking; Credit Cards – Account Holders; Insurance, Pension Plans and Capitalization; and Fund Management and Managed Portfolios presented below were adjusted so as to evidence the impacts associated with the allocation of capital in each of those subsegments.

**On December 31, 2008**

*R$ million*

| ASSETS | Itaubanco Branch Banking | Itaubanco Credit Cards - Account Holders | Itaubanco Insurance, Pension Plans and Capitalization | Itaubanco Consolidated |
|---|---|---|---|---|
| **Current and Long-Term Assets** | **308,384** | **11,234** | **32,957** | **352,575** |
| Cash and Cash Equivalents | 11,338 | 70 | 165 | 11,573 |
| Short-term Interbank Deposits | 136,795 | 341 | - | 137,135 |
| Securities | 32,445 | 445 | 29,768 | 62,658 |
| Interbank and Interbranch Accounts | 11,953 | 0 | 0 | 11,953 |
| Loans | 60,532 | 6,908 | - | 67,440 |
| (Allowance for Loan Losses) | (5,527) | (581) | - | (6,108) |
| Other Assets | 60,849 | 4,051 | 3,024 | 67,924 |
| **Permanent Assets** | **5,344** | **62** | **177** | **5,584** |
| **TOTAL ASSETS** | **313,728** | **11,296** | **33,134** | **358,158** |

*R$ million*

| LIABILITIES AND EQUITY | Itaubanco Branch Banking | Itaubanco Credit Cards - Account Holders | Itaubanco Insurance, Pension Plans and Capitalization | Itaubanco Consolidated |
|---|---|---|---|---|
| **Current and Long-Term Liabilities** | **300,673** | **10,085** | **31,010** | **341,768** |
| Deposits | 157,148 | - | - | 157,148 |
| Securities Repurchase Agreements | 55,842 | - | - | 55,842 |
| Funds from Acceptances and Issue of Securities | 8,601 | - | - | 8,601 |
| Interbank and Interbranch Accounts | 310 | 0 | - | 310 |
| Borrowings and On-Lendings | 7,716 | 45 | - | 7,761 |
| Derivative Financial Instruments | 6,317 | - | 0 | 6,318 |
| Other Liabilities | 64,473 | 10,040 | 2,325 | 76,838 |
| Technical Provisions of Insurance, Pension Plans and Capitalization | 265 | - | 28,685 | 28,950 |
| **Deferred Income** | **68** | **9** | **0** | **77** |
| **Minority Interest in Subsidiaries** | **-** | **-** | **-** | **-** |
| **Allocated Tier I Capital** | **12,987** | **1,202** | **2,124** | **16,313** |
| **TOTAL LIABILITIES AND EQUITY** | **313,728** | **11,296** | **33,134** | **358,158** |

**Consolidated *Pro Forma* Financial Statement by Subsegment**

*R$ million*

| 4th Quarter/08 | Itaubanco Branch Banking | Itaubanco Credit Cards - Account Holders | Itaubanco Insurance, Pension Plans and Capitalization | Itaubanco Investment Funds and Managed Portfolios | Itaubanco Consolidated |
|---|---|---|---|---|---|
| **Managerial Financial Margin** | **3,558** | **401** | **110** | **-** | **4,068** |
| • Financial Margin with Customers | 3,319 | 401 | 86 | - | 3,805 |
| • Financial Margin with Market | 239 | - | 24 | - | 263 |
| **Result from Loan Losses** | **(1,054)** | **(132)** | **-** | **-** | **(1,186)** |
| Provision for Loan and Lease Losses | (1,200) | (213) | - | - | (1,414) |
| Recovery of Credits Written Off as Losses | 147 | 81 | - | - | 228 |
| **Net Result from Financial Operations** | **2,504** | **268** | **110** | **-** | **2,883** |
| **Other Operating Income/(Expenses)** | **(1,579)** | **(51)** | **121** | **89** | **(1,420)** |
| Banking fees and charge revenues | 1,108 | 459 | 101 | 449 | 2,117 |
| Transfer to Banking | 140 | - | - | (140) | - |
| Operating Result of Insurance, Pension Plans and Capitalization | 19 | 10 | 277 | - | 307 |
| Non-interest Expenses | (2,663) | (499) | (233) | (195) | (3,590) |
| Tax Expenses for ISS, PIS and Cofins | (251) | (54) | (26) | (25) | (356) |
| Other Operating Income | 67 | 33 | 2 | - | 102 |
| **Operating Income** | **925** | **217** | **231** | **89** | **1,463** |
| Non-operating Income | 3 | 1 | 6 | - | 9 |
| **Income Before Tax and Profit Sharing** | **928** | **218** | **238** | **89** | **1,472** |
| **Income Tax and Social Contribution** | **(246)** | **(67)** | **(73)** | **(30)** | **(417)** |
| **Profit Sharing** | **(29)** | **(9)** | **(4)** | **(14)** | **(56)** |
| **Recurring Net Income** | **652** | **142** | **161** | **45** | **1,000** |
| **(RAROC) - Return on Average Tier I Allocated Capital** | **20.6%** | **51.6%** | **31.0%** | | **25.3%** |
| **Efficiency Ratio** | **57.4%** | **58.8%** | **50.1%** | | **57.5%** |

Note: Non-interest Expenses item is made up of Personnel Expenses, Other Administrative Expenses, Tax Expenses and Other Operating Expenses.

## *Pro Forma* Financial Statements by Subsegment

**On September 30, 2008**

*R$ million*

| ASSETS | Itaubanco | | | |
|---|---|---|---|---|
| | Branch Banking | Credit Cards - Account Holders | Insurance, Pension Plans and Capitalization | Consolidated |
| **Current and Long-Term Assets** | **278,609** | **9,299** | **31,364** | **319,273** |
| Cash and Cash Equivalents | 5,275 | 110 | 121 | 5,506 |
| Short-term Interbank Deposits | 141,056 | 295 | - | 141,351 |
| Securities | 23,141 | 361 | 28,705 | 52,207 |
| Interbank and Interbranch Accounts | 20,641 | - | - | 20,641 |
| Loans | 55,787 | 5,992 | - | 61,779 |
| (Allowance for Loan Losses) | (4,427) | (518) | - | (4,945) |
| Other Assets | 37,137 | 3,059 | 2,538 | 42,734 |
| **Permanent Assets** | **5,016** | **54** | **181** | **5,251** |
| **TOTAL ASSETS** | **283,626** | **9,353** | **31,545** | **324,523** |

*R$ million*

| LIABILITIES AND EQUITY | Itaubanco | | | |
|---|---|---|---|---|
| | Branch Banking | Credit Cards - Account Holders | Insurance, Pension Plans and Capitalization | Consolidated |
| **Current and Long-Term Liabilities** | **271,254** | **8,354** | **29,507** | **309,115** |
| Deposits | 135,419 | - | - | 135,419 |
| Securities Repurchase Agreements | 66,441 | - | - | 66,441 |
| Funds from Acceptances and Issue of Securities | 8,138 | - | - | 8,138 |
| Interbank and Interbranch Accounts | 2,922 | - | - | 2,922 |
| Borrowings and On-Lendings | 6,653 | 76 | - | 6,729 |
| Derivative Financial Instruments | 3,567 | - | 0 | 3,567 |
| Other Liabilities | 48,114 | 8,278 | 1,933 | 58,325 |
| Technical Provisions of Insurance, Pension Plans and Capitalization | 0 | - | 27,573 | 27,573 |
| **Deferred Income** | **57** | **1** | **0** | **58** |
| **Minority Interest in Subsidiaries** | **0** | **-** | **-** | **0** |
| **Allocated Tier I Capital** | **12,314** | **997** | **2,038** | **15,350** |
| **TOTAL LIABILITIES AND EQUITY** | **283,626** | **9,353** | **31,545** | **324,523** |

**Consolidated *Pro Forma* Financial Statement by Subsegment**

*R$ million*

| 3rd Quarter/08 | Itaubanco | | | | |
|---|---|---|---|---|---|
| | Branch Banking | Credit Cards - Account Holders | Insurance, Pension Plans and Capitalization | Investment Funds and Managed Portfolios | Consolidated |
| **Managerial Financial Margin** | **3,458** | **370** | **77** | **-** | **3,905** |
| • Financial Margin with Customers | 2,919 | 370 | 64 | - | 3,353 |
| • Financial Margin with Market | 539 | - | 13 | - | 552 |
| **Result from Loan Losses** | **(795)** | **(129)** | **-** | **-** | **(925)** |
| Provision for Loan and Lease Losses | (1,010) | (150) | - | - | (1,160) |
| Recovery of Credits Written Off as Losses | 215 | 21 | - | - | 235 |
| **Net Result from Financial Operations** | **2,663** | **240** | **77** | **-** | **2,980** |
| **Other Operating Income/(Expenses)** | **(1,333)** | **(31)** | **188** | **113** | **(1,063)** |
| Banking fees and charge revenues | 1,019 | 428 | 103 | 481 | 2,030 |
| Transfer to Banking | 139 | - | - | (139) | - |
| Operating Result of Insurance, Pension Plans and Capitalization | 13 | 10 | 281 | - | 303 |
| Non-interest Expenses | (2,495) | (435) | (185) | (196) | (3,311) |
| Tax Expenses for ISS, PIS and Cofins | (215) | (55) | (13) | (33) | (315) |
| Other Operating Income | 207 | 22 | 1 | - | 231 |
| **Operating Income** | **1,330** | **210** | **265** | **113** | **1,917** |
| Non-operating Income | 13 | 1 | 6 | - | 20 |
| **Income Before Tax and Profit Sharing** | **1,342** | **211** | **271** | **113** | **1,937** |
| **Income Tax and Social Contribution** | **(398)** | **(71)** | **(83)** | **(38)** | **(591)** |
| **Profit Sharing** | **(95)** | **(7)** | **(3)** | **(44)** | **(149)** |
| **Recurring Net Income** | **849** | **132** | **185** | **31** | **1,197** |
| **(RAROC) - Return on Average Tier I Allocated Capital** | **27.9%** | **58.7%** | **36.5%** | | **31.7%** |
| **Efficiency Ratio** | **54.0%** | **56.2%** | **41.1%** | | **53.8%** |

Note: Non-interest Expenses item is made up of Personnel Expenses, Other Administrative Expenses, Tax Expenses and Other Operating Expenses.

## Itaubanco - Branch Banking

The income statement of Itaubanco's Branch Banking subsegment is based on the *pro forma* financial statements of Banco Itaú.

*R$ million*

| Itaubanco - Branch Banking | | 4th Q/08 | 3rd Q/08 | Variation Nominal | % |
|---|---|---|---|---|---|
| **Managerial Financial Margin** | | **3,558** | **3,458** | **99** | **2.9%** |
| • Financial Margin with Customers | **A** | 3,319 | 2,919 | 399 | 13.7% |
| • Financial Margin with Market | **B** | 239 | 539 | (300) | -55.7% |
| **Result from Loan Losses** | | **(1,054)** | **(795)** | **(258)** | **32.5%** |
| Provision for Loan and Lease Losses | **C** | (1,200) | (1,010) | (190) | 18.8% |
| Recovery of Credits Written Off as Losses | | 147 | 215 | (68) | -31.7% |
| **Net Result from Financial Operations** | | **2,504** | **2,663** | **(159)** | **-6.0%** |
| **Other Operating Income/(Expenses)** | | **(1,579)** | **(1,333)** | **(246)** | **18.4%** |
| Banking fees and charge revenues | | 1,248 | 1,158 | 90 | 7.8% |
| Operating Result of Insurance, Pension Plans and Capitalization | | 19 | 13 | 7 | 51.5% |
| Non-interest Expenses | **D** | (2,663) | (2,495) | (168) | 6.7% |
| Tax Expenses for ISS, PIS and Cofins | **E** | (251) | (215) | (35) | 16.5% |
| Other Operating Income | **F** | 67 | 207 | (140) | -67.7% |
| **Operating Income** | | **925** | **1,330** | **(405)** | **-30.4%** |
| Non-operating Income | | 3 | 13 | (10) | -77.9% |
| **Income Before Tax and Profit Sharing** | | **928** | **1,342** | **(415)** | **-30.9%** |
| **Income Tax and Social Contribution** | | **(246)** | **(398)** | **152** | **-38.2%** |
| **Profit Sharing** | | **(29)** | **(95)** | **65** | **-69.1%** |
| **Recurring Net Income** | | **652** | **849** | **(197)** | **-23.2%** |

Note: Non-interest Expenses item is made up of Personnel Expenses, Other Administrative Expenses, Tax Expenses and Other Operating Expenses.

During the fourth quarter of 2008, the Banking subsegment net income amounted to R$ 652 million, declining by 23.2% from the third quarter. The main drivers of this result include:

A) The managerial financial margin on transactions with customers increased due to the higher balance of credit transactions, in particular in the micro, small and mid-sized company portfolio.

B) The managerial financial margin on market transactions decreased, primarily driven the treasury margin which was impacted by the lower income from exchange derivatives due to the decline in exchange coupons, partially compensated, however, by results from proprietary desks.

*R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation Balance | % |
|---|---|---|---|---|
| Management of Foreign Exchange Risk from Investments Abroad | 278 | 238 | 40 | 17.0% |
| Treasury | (39) | 302 | (341) | -112.9% |
| **Financial Margin on Market Transactions** | **239** | **539** | **(300)** | **-55.7%** |

C) The increase in the provision for loan and lease losses is essentially attributable to the higher delinquency levels on the part of micro, small and mid-sized companies.

D) Non-interest expenses were higher quarter-on-quarter, driven by the increased operating activity level which is typical of the fourth quarter of the year, as well as the impact of the Collective Labor Agreement.

E) ISS, PIS and Cofins tax expenses grew as a result of the increased volume of revenues taxed by PIS and Cofins.

F) The decline in other operating revenues is a function of the lower amount of operating reversals in the quarter.

## Itaubanco - Credit Cards - Account Holders

The *pro forma* financial statements below were prepared based on Itaú internal management information and are intended to report the performance of the businesses connected with the Credit Cards of current account customers, including Itaucard, Orbitall and Redecard.

*R$ million*

| Itaubanco - Credits Cards - Acount Holders | | 4th Q/08 | 3rd Q/08 | Variation Nominal | Variation % |
|---|---|---|---|---|---|
| **Managerial Financial Margin** | A | 401 | 370 | 31 | 8.3% |
| **Result from Loan Losses** | | (132) | (129) | (3) | 2.2% |
| Provision for Loan Losses | B | (213) | (150) | (63) | 42.2% |
| Recovery of Credits Written Off as Losses | C | 81 | 21 | 60 | 292.0% |
| **Net Result from Financial Operations** | | 268 | 240 | 28 | 11.6% |
| **Other Operating Income/(Expenses)** | | (51) | (31) | (21) | - |
| Banking fees and charge revenues | D | 459 | 428 | 31 | 7.3% |
| Result from Op. of Insurance, Pension Plans and Capitalization | | 10 | 10 | 0 | 4.1% |
| Noninterest Expenses | E | (499) | (435) | (64) | 14.6% |
| Tax Expenses for ISS, PIS and Cofins | | (54) | (55) | 1 | -1.5% |
| Other Operating Income | F | 33 | 22 | 11 | 49.1% |
| **Operating Income** | | 217 | 210 | 7 | 3.5% |
| Non-operating Income | | 1 | 1 | (0) | - |
| **Income Before Tax and Profit Sharing** | | 218 | 211 | 7 | 3.3% |
| **Income Tax and Social Contribution** | | (67) | (71) | 4 | -5.5% |
| **Profit Sharing** | | (9) | (7) | (1) | 17.5% |
| **Recurring Net Income** | | 142 | 132 | 10 | 7.3% |

Note: Noninterest Expenses item is made up of Personnel Expenses, Other Administrative Expenses, Tax Expenses and Other Operating Expenses.

The net income of the Credit Card – Account Holders subsegment was R$ 142 million in the fourth quarter of 2008, a 7.3% growth quarter-on-quarter. The main changes were as follows:

A) Increased revenues from early settlements to retailers and, due to the higher liquidity in the last quarter of the year, the receipt of overdue amounts also increased, with a positive impact on the managerial financial margin.

B) The increased provision for doubtful loans is a function of the higher amount of receivables (cash and financed purchases), as well as the changes in the macroeconomic scenario.

C) Bearing in mind the higher liquidity seen in the quarter, we made additional collection efforts, including renegotiation processes, which gave rise to higher incomes from the recovery of credits previously written-off as losses.

D) Higher interchange revenues are essentially attributable to the increased amount of transactions usually seen in the last quarter of the year.

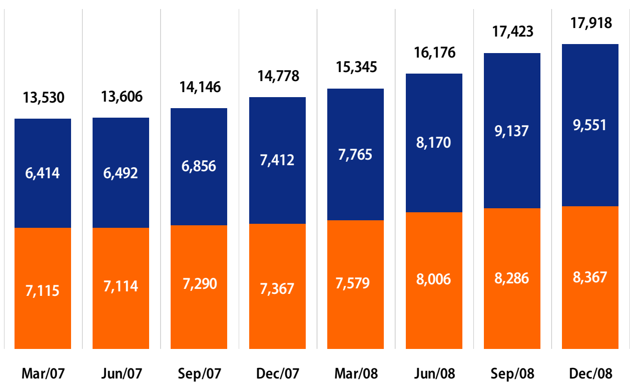
E) As a result of the higher amount of transactions, the higher volume of transactions, and sales and activation efforts, certain expenses, including mailing, call center, award program, direct mailing and processing expenditures, increased in the fourth quarter. Additionally, marketing expenses were significantly higher in the quarter on account of advertising campaigns. Collection and systems expenses also increased in the quarter.

F) Reversal of the provision for ISS at Redecard.

We maintained our leadership position in terms of invoicing in the credit card market, with R$ 14,627 million and 17.9 million cards at the end of the fourth quarter of 2008.

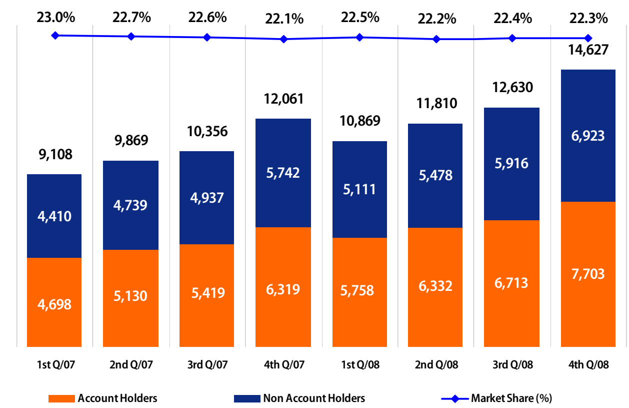
**Quantity of Credit Cards**

*In thousands*




**Amount of Transactions**

*R$ million*




The market share of the amount of transactions was computed based on total market figures provided by Associação Brasileira das Empresas de Cartões de Crédito e Serviços – Abecs (Brazilian Association of Credit Card and Service Companies).

## Itaubanco - Insurance, Pension Plans and Capitalization

The *pro forma* financial statements below were prepared based on Itaú internal and management information and are intended to identify the performance of the insurance-related businesses.

**On December 31, 2008**

*R$ million*

| ASSETS | Insurance | Life and Pension Plans | Capitalization | Consolidated |
|---|---|---|---|---|
| **Current and Long-Term Assets** | **3,777** | **27,776** | **1,474** | **32,957** |
| Cash and Cash Equivalents | 156 | 7 | 2 | 165 |
| Securities | 1,123 | 27,223 | 1,427 | 29,768 |
| Other Assets | 2,498 | 546 | 44 | 3,024 |
| **Permanent Assets** | **137** | **5** | **43** | **177** |
| **TOTAL ASSETS** | **3,914** | **27,781** | **1,517** | **33,134** |

*R$ million*

| LIABILITIES AND EQUITY | Insurance | Life and Pension Plans | Capitalization | Consolidated |
|---|---|---|---|---|
| **Current and Long-Term Liabilities** | **3,360** | **26,322** | **1,407** | **31,010** |
| Technical Provisions - Insurance | 1,946 | 443 | - | 2,389 |
| Technical Provisions - Pension Plans and VGBL | - | 25,100 | - | 25,100 |
| Technical Provisions - Capitalization | - | - | 1,206 | 1,196 |
| Other Liabilities | 1,414 | 779 | 201 | 2,325 |
| **Allocated Tier I Capital** | **554** | **1,460** | **110** | **2,124** |
| **TOTAL LIABILITIES AND EQUITY** | **3,914** | **27,781** | **1,517** | **33,134** |

**Statement of Income**

*R$ million*

| 4th Quarter/08 | Insurance | Life and Pension Plans | Capitalization | Consolidated |
|---|---|---|---|---|
| **Revenues from Insurance, Pension Plans and Capitalization** | **650** | **1,657** | **279** | **2,580** |
| Retained Insurance Premiums (a) | 650 | 150 | - | 800 |
| Revenues from Pension Plans (b) | - | 1,507 | - | 1,507 |
| Revenues from Capitalization (c) | - | - | 279 | 273 |
| **Changes in Technical Reserves** | **(38)** | **(1,485)** | **(195)** | **(1,713)** |
| Insurance (d) | (38) | 1 | - | (37) |
| Pension Plans (e) | - | (1,486) | - | (1,486) |
| Capitalization (f) | - | - | (195) | (191) |
| **Earned Premiums (g=a+d)** | **612** | **151** | **-** | **763** |
| **Result of Pension Plans and Capitalization (h=b+c+e+f)** | **-** | **21** | **84** | **103** |
| **Retained Claims (i)** | **(397)** | **(39)** | **-** | **(436)** |
| **Selling Expenses (j)** | **(128)** | **(18)** | **(6)** | **(153)** |
| **Other Operating Income/(Expenses) of Insurance Operations (k)** | **3** | **(6)** | **(0)** | **0** |
| **Underwriting Margin (l=g+i+j+k)** | **89** | **88** | **-** | **178** |
| **Result from Insurance, Pension Plans and Capitalization (m=h+l)** | **89** | **110** | **78** | **277** |
| Managerial Financial Margin | 28 | 68 | 15 | 110 |
| Banking fees and charge revenues | - | 101 | - | 101 |
| Non-interest Expenses | (111) | (82) | (41) | (233) |
| Tax Expenses for ISS, PIS and Cofins | (16) | (5) | (5) | (26) |
| Other Operating Income | 1 | 0 | 0 | 2 |
| **Operating Income** | **(10)** | **193** | **48** | **232** |
| Non-operating Income | 4 | 0 | 2 | 6 |
| **Income Before Income Tax and Social Contribution** | **(6)** | **194** | **50** | **238** |
| Income Tax/Social Contribution | 4 | (60) | (17) | (73) |
| Profit Sharing | (3) | (0) | - | (4) |
| **Recurring Net Income** | **(5)** | **133** | **33** | **161** |
| **(RAROC) - Return on Average Tier I Allocated Capital** | **-3.7%** | **37.2%** | **124.0%** | **31.0%** |
| **Efficiency Ratio** | **109.6%** | **29.8%** | **46.2%** | **50.1%** |

Note: The Consolidated figure does not represent the sum of the parts because certain intercompany transactions were eliminated only at the Consolidated level.
The information on VGBL was classified together with the pension plan products.
Non-interest Expenses comprise Personnel Expenses, Other Administrative Expenses, Tax Expenses, and Other Operating Expenses.
The insurance subsegment includes 100% of Itaú XL. The Underwriting Margin refers to the insurance business.

## Itaubanco - Insurance, Pension Plans and Capitalization

**On September 30, 2008**

*R$ million*

| ASSETS | Insurance | Life and Pension Plans | Capitalization | Consolidated |
|---|---|---|---|---|
| **Current and Long-Term Assets** | **3,563** | **26,473** | **1,358** | **31,364** |
| Cash and Cash Equivalents | 104 | 13 | 4 | 121 |
| Securities | 1,351 | 26,041 | 1,327 | 28,705 |
| Other Assets | 2,108 | 420 | 27 | 2,538 |
| **Permanent Assets** | **138** | **5** | **45** | **181** |
| **TOTAL ASSETS** | **3,702** | **26,478** | **1,402** | **31,545** |

*R$ million*

| LIABILITIES AND EQUITY | Insurance | Life and Pension Plans | Capitalization | Consolidated |
|---|---|---|---|---|
| **Current and Long-Term Liabilities** | **3,166** | **25,080** | **1,298** | **29,507** |
| Technical Provisions - Insurance | 1,852 | 452 | - | 2,304 |
| Technical Provisions - Pension Plans and VGBL | - | 24,109 | - | 24,109 |
| Technical Provisions - Capitalization | - | - | 1,170 | 1,160 |
| Other Liabilities | 1,315 | 519 | 128 | 1,933 |
| **Allocated Tier I Capital** | **535** | **1,398** | **105** | **2,038** |
| **TOTAL LIABILITIES AND EQUITY** | **3,702** | **26,478** | **1,402** | **31,545** |

**Statement of Income**

*R$ million*

| 3rd Quarter/08 | Insurance | Life and Pension Plans | Capitalization | Consolidated |
|---|---|---|---|---|
| **Revenues from Insurance, Pension Plans and Capitalization** | **705** | **1,609** | **274** | **2,583** |
| Retained Insurance Premiums (a) | 705 | 177 | - | 882 |
| Revenues from Pension Plans (b) | - | 1,432 | - | 1,432 |
| Revenues from Capitalization (c) | - | - | 274 | 269 |
| **Changes in Technical Reserves** | **(97)** | **(1,451)** | **(188)** | **(1,732)** |
| Insurance (d) | (97) | (26) | - | (123) |
| Pension Plans (e) | - | (1,424) | - | (1,424) |
| Capitalization (f) | - | - | (188) | (184) |
| **Earned Premiums (g=a+d)** | **608** | **151** | **-** | **759** |
| **Result of Pension Plans and Capitalization (h=b+c+e+f)** | **-** | **7** | **86** | **92** |
| **Retained Claims (i)** | **(363)** | **(49)** | **-** | **(412)** |
| **Selling Expenses (j)** | **(137)** | **(18)** | **(3)** | **(156)** |
| **Other Operating Income/(Expenses) of Insurance Operations (k)** | **(1)** | **(1)** | **(0)** | **(1)** |
| **Underwriting Margin (l=g+i+j+k)** | **108** | **83** | **-** | **191** |
| **Result from Insurance, Pension Plans and Capitalization (m=h+l)** | **108** | **91** | **83** | **281** |
| Managerial Financial Margin | 23 | 48 | 4 | 77 |
| Banking fees and charge revenues | - | 103 | - | 103 |
| Non-interest Expenses | (94) | (50) | (39) | (185) |
| Tax Expenses for ISS, PIS and Cofins | 4 | (12) | (5) | (13) |
| Other Operating Income | 1 | 0 | 0 | 1 |
| **Operating Income** | **41** | **180** | **43** | **265** |
| Non-operating Income | 4 | 0 | 2 | 6 |
| **Income Before Income Tax and Social Contribution** | **46** | **180** | **45** | **271** |
| Income Tax/Social Contribution | (13) | (55) | (15) | (83) |
| Profit Sharing | (3) | (1) | - | (3) |
| **Recurring Net Income** | **30** | **125** | **30** | **185** |
| **(RAROC) - Return on Average Tier I Allocated Capital** | **21.5%** | **36.4%** | **117.3%** | **36.5%** |
| **Efficiency Ratio** | **69.5%** | **21.8%** | **47.4%** | **41.1%** |

Note: The Consolidated figure does not represent the sum of the parts because certain intercompany transactions were eliminated only at the Consolidated level.
The information on VGBL was classified together with the pension plan products.
Non-interest Expenses comprise Personnel Expenses, Other Administrative Expenses, Tax Expenses, and Other Operating Expenses.
The insurance subsegment includes 100% of Itaú XL. The Underwriting Margin refers to the insurance business.

## Itaubanco - Insurance, Pension Plans and Capitalization

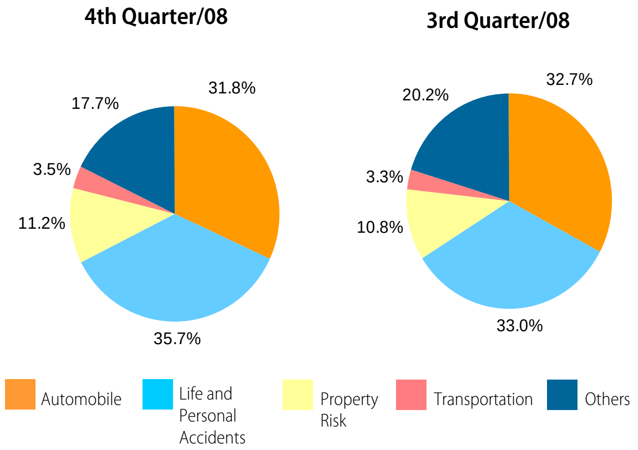
### Insurance

The decline in recurring net income arose from the increased number of retained claims and the return of the tax expenses to the same levels as the first and second quarters. Tax credits recorded during the third quarter amounted to R$ 19 million, with a positive impact on results for that period.

The underwriting margin was down from the prior quarter due to the 9.4% increase in the amount of retained claims, mostly in automobile and property damages products.

The managerial financial margin grew by 20.7% compared to the previous quarter, primarily because of the appreciation seen in the tax incentive certificates market.

**Composition of earned premiums**




NB: Insurance charts do not include the Itauseg Saúde companies and include the Life line of Itaú Vida e Previdência S.A.

### Life and Pension Plan

The recurring net income of the life and pension subsegment grew by 6.4% compared to the prior quarter, due to higher results of pension plan transactions, increased margin of life insurance underwriting, and higher managerial financial margin.

The contributions to pension plans increased by approximately R$ 75 million. Contributions to pension plans are historically higher in December, and in this month of 2008, PGBL and VGBL active plans totaled 962 thousand.

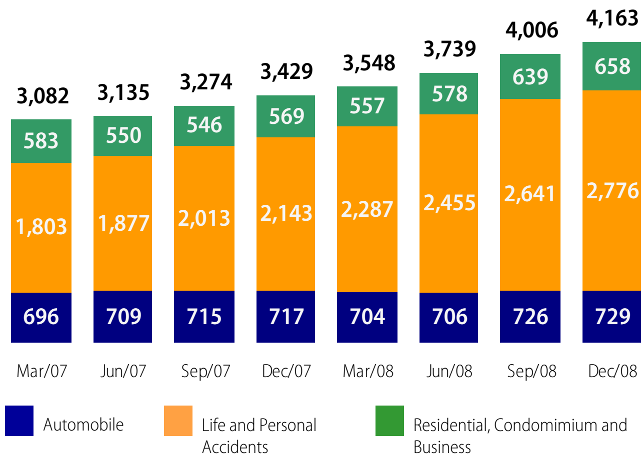
The underwriting margin grew 6.2% quarter-on-quarter, due to the improved claim index of life insurance policies.

The managerial financial margin increased by R$ 21 million from the prior quarter, owing to the better performance of investment funds and appreciation in the tax incentive certificate market.

In the fourth quarter of 2008, the life and personal accidents product increased its share by 270 basis points from the prior quarter.

**Number of Policies - Mass products**

*In thousands*




### Capitalization

Net income grew by 9.9% due to higher financial gains on investment funds, as a result of the better performance of fixed-interest securities and appreciation in the tax incentive certificate market. The operating performance of capitalization products remained virtually unaltered from the prior quarter.

The number of policies grew by 3.9% compared to the prior quarter, in particular for life and personal accidents and residential products.

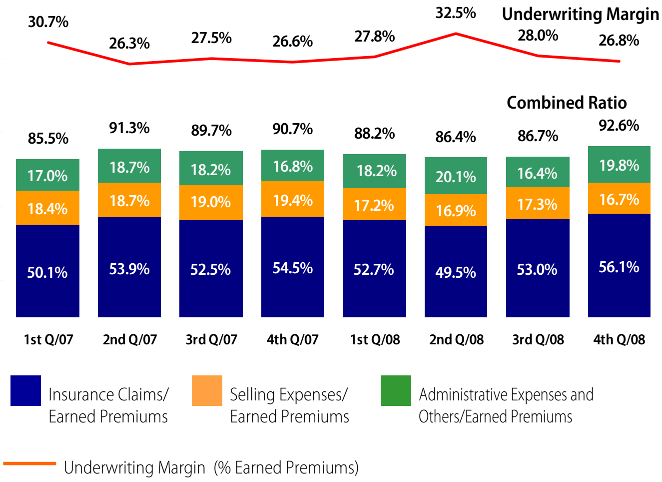
## Itaubanco - Insurance, Pension Plans and Capitalization

### Combined Ratio

The combined ratio, which shows the operating cost efficiency in relation to income from premiums earned, increased by 590 basis points compared to the prior quarter.

The increase of expenses for promotions, provision for losses of amounts receivable, constitution of the provision for labor claims and civil lawsuits, costs related to sales campaigns and the growth of casualties (retained casualties / premiums received), mainly in the automobile and equity risks' products affected the combined index.

**Combined Ratio and Underwriting Margin**




Note: combined ratio is the sum of the following indices: retained claims/earned premiums, selling expenses/earned premiums and administrative expenses + other operating income and expenses/ earned premiums

The underwriting margin is the sum of: earned premiums, retained claims, selling expenses and other operating income (expenses) of insurance operations.

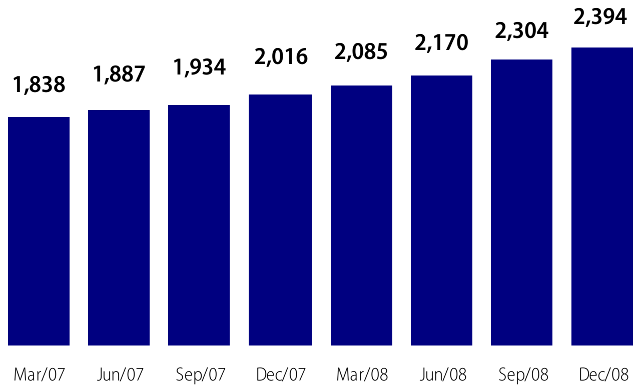
NB: The chart does not include the Itauseg Saúde company and includes the Life line of Itaú Vida e Previdência S.A.

The results from *Proteção Cartão* are not included in the calculation of the combined ratio.

### Insurance Technical Provisions

At December 31, 2008, technical provisions added up to R$ 2,394 million, growing by 3.9% during the quarter.

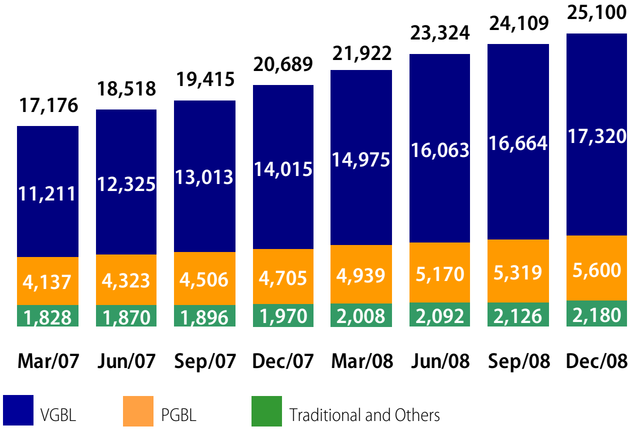
*R$ million*




### Pension Plan Technical Provisions

At December 31, 2008, technical provisions totaled R$ 25,100 million, growing by 4.1% from the prior quarter.

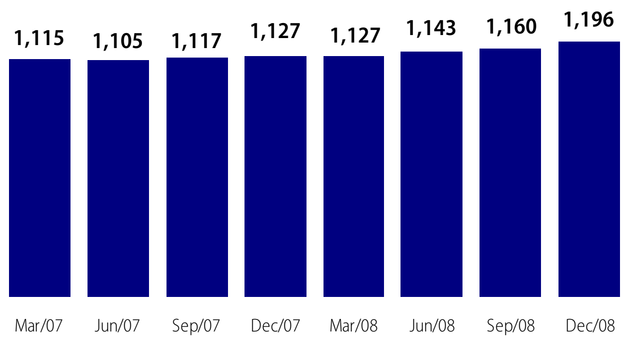
*R$ million*




### Capitalization Technical Provisions

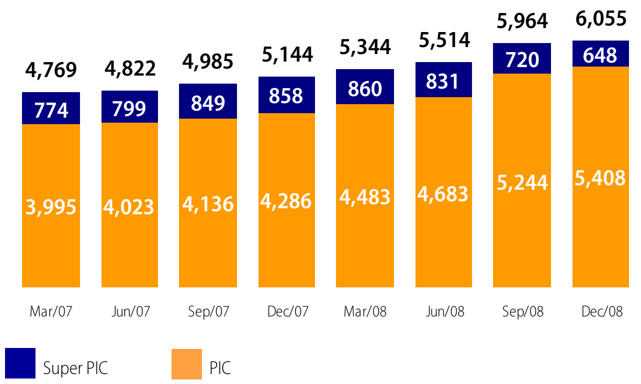
At December 31, 2008, technical provisions totaled R$ 1,196 million, growing by 3.1% quarter-on-quarter.

*R$ million*




**Number of Capitalization Bonds - PIC**

*In thousands*




During the quarter, this portfolio remained virtually stable, comprising 6.0 million active bonds.

## Itaubanco - Investment Funds and Managed Portfolios

The pro forma financial statements below were prepared based on internal information from Itaú's managerial model and are intended to outline the performance of businesses associated with the Asset Management area.

R$ million

| Itaubanco - Investment Funds and Managed Portfolios | 4th Q/08 | 3rd Q/08 | Variation Nominal | Variation % |
|---|---|---|---|---|
| **Banking fees and charge revenues** | **449** | **481** | **(31)** | **-6.5%** |
| Mutual Fund Management Fees (*) | 350 | 372 | (21) | -5.7% |
| Brokerage Services and Placement of Securities | 59 | 69 | (10) | -14.8% |
| Custody Services and Managed Portfolios | 40 | 40 | (0) | -0.5% |
| **Transfer to Banking** | **(140)** | **(139)** | **(1)** | **0.5%** |
| **Non-interest Expenses** | **(195)** | **(196)** | **1** | **-0.4%** |
| **Tax Expenses for ISS, PIS and Cofins** | **(25)** | **(33)** | **7** | **-22.9%** |
| **Income before Tax and Profit Sharing** | **89** | **113** | **(24)** | **-21.1%** |
| **Income Tax and Social Contribution** | **(30)** | **(38)** | **8** | **-21.1%** |
| **Profit Sharing** | **(14)** | **(44)** | **29** | **-67.5%** |
| **Recurring Net Income** | **45** | **31** | **14** | **44.1%** |

(*) Does not include income from Pension Plans Fund Management.
Note: The Non-Interest Expenses comprise Personnel Expenses, Other Administrative Expenses and Other Taxes, and Other Operating Expenses.

In the fourth quarter of 2008, net income from investment funds and managed portfolios totaled R$ 45 million.
During the period, revenues from fund management declined by 5.7%, driven by the migration of such resources to other investments. Revenues from brokerage services and placement of securities dropped by 14.8% in the period. The decrease in market share in the volume of AUM in the past quarters reflects the reallocation of customer resources to savings accounts and CDB's (Bank Deposit Certificates) to meet the increase in loans.

## Itaú Corretora

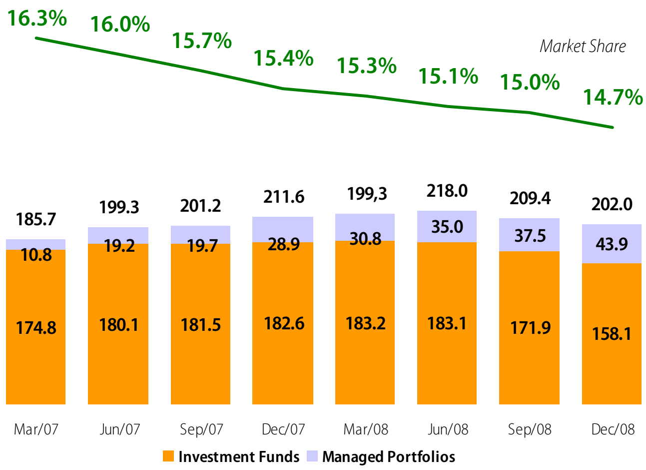
Itaú Corretora, whose management is independent from the fund management activities, handled contracts worth R$ 23,576 million on Bovespa in the fourth quarter of 2008, representing a 27% decline compared to the same period of 2007. Itaú Corretora ranked 6th among all brokers, with a 4.3% share in the market volume.

Contracts handled on BM&F amounted to 2.5 million, down 10% from the same period of 2007.

Itaú Corretora was second in the Carrying Ranking (Settlement Ranking), with a share of 12.1% in the total volume of deals settled.

**Assets Under Management (AUM)**

R$ billion




Market Share - Source: Anbid/Ranking Global

Note.: The historical volume of managed portfolios has been adjusted for comparison purposes.

Itaú Corretora, through its Home Broker - www.itautrade.com.br – was responsible for a volume of trading of R$ 3,379 million in the fourth quarter of 2008, in line with last year figures. As such, Itaú Corretora ranked 8th among all brokers, with a market share of 4.8%.

## Itaú BBA

The *pro forma* income statement of Itaú BBA is presented below.

*R$ million*

| Itaú BBA | 4th Q/08 | 3rd Q/08 | Variation | |
|---|---|---|---|---|
| **Managerial Financial Margin** | **984** | **749** | **235** | **31.4%** |
| • Financial Margin with Customers | 711 | 559 | 152 | 27.2% |
| • Financial Margin with Market | 273 | 190 | 83 | 43.8% |
| **Result from Loan Losses** | **(347)** | **(58)** | **(289)** | **495.6%** |
| Provision for Loan and Lease Losses | (350) | (62) | (287) | 460.5% |
| Recovery of Credits Written-Off as Losses | 2 | 4 | (2) | -46.2% |
| **Net Result from Financial Operations** | **637** | **691** | **(54)** | **-7.8%** |
| **Other Operating Income/(Expenses)** | **(210)** | **(138)** | **(73)** | **52.8%** |
| Banking fees and charge revenues | 146 | 167 | (21) | -12.7% |
| Non-interest Expenses | (264) | (243) | (22) | 9.0% |
| Tax Expenses for ISS, PIS and Cofins | (51) | (66) | 16 | -23.6% |
| Equity in the Earnings of Associated Companies | 2 | 3 | (1) | -33.4% |
| Other Operating Income | (43) | 1 | (44) | -4,202.8% |
| **Operating Income** | **426** | **553** | **(127)** | **-22.9%** |
| Non-operating Income | (4) | (3) | (1) | 21.4% |
| **Income before Tax and Profit Sharing** | **423** | **550** | **(127)** | **-23.1%** |
| **Income Tax and Social Contribution** | **(106)** | **(182)** | **77** | **-42.1%** |
| **Profit Sharing** | **(31)** | **(46)** | **15** | **-32.7%** |
| **Recurring Net Income** | **286** | **322** | **(35)** | **-11.0%** |

Note: The item Non-Interest Expenses is composed of Personnel Expenses, Other Administrative Expenses, Tax Expenses for CPMF and other taxes and Other Operating Expenses.

In the fourth quarter of 2008, the financial margin totaled R$ 984 million, corresponding to a 31.4% increase when compared to R$ 749 million in the prior period.

The financial margin on customer transactions added up to R$ 711 million, growing by 27.2% compared to R$ 559 million in the prior quarter, essentially driven by the increased volume of credit and structured transactions during the fourth quarter of 2008.

The financial margin on market transactions amounted to R$ 273 million, growing by 43.8% from the prior quarter. Within treasury transactions, the R$ 133 million income in the fourth quarter arises from Itaú BBA proprietary strategies pursued on local and international markets. The financial margin on management of exchange risk of investments abroad, which corresponds to the remuneration of these investments at the CDI rate, totaled R$ 141 million.

In spite of the economic downturn prevalent in the period and the expected lower GDP growth in 2009, the outstanding quality level of the credit portfolio is to be underlined, with 95% of the credits having been ascribed “AA”, “A” and “B” ratings, pursuant to the criteria set forth in Resolution 2682 of the National Monetary Council. In this context, in the fourth quarter the provision for loans and lease losses rose to R$ 347 million, chiefly due to the increase in the credit portfolio and risk re-ratings.

Net result from financial operations added up to R$ 637 million, a 7.8% decline when compared quarter-on-quarter.

Banking fee revenues totaled R$ 146 million in the fourth quarter of 2008, decreasing by 12.7% from the prior quarter, primarily on account of lower revenues from investment banking transactions.

Non-interest expenses totaled R$ 264 million, corresponding to a 9.0% increase from the prior quarter, essentially due to higher volumes of cash management in the period.

The “Other operating revenues” line declined by R$ 44 million quarter-on-quarter, as a result of the pro forma deferral of expenses relating to the value of the customer portfolio that was transferred from Itaú to Itaú BBA in the second half of 2008.

As a result of the above items, Itaú BBA pro forma net income amounted to R$ 286 million in the fourth quarter, corresponding to an annualized return on average allocated capital (tier 1) of 16.1% in the period.

Market *R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation Balance | % |
|---|---|---|---|---|
| Management of Foreign Exchange Risk from Investments Abroad | 141 | 57 | 84 | 146.4% |
| Treasury | 133 | 133 | (0) | 0.0% |
| **Financial Margin on Market Transactions** | **273** | **190** | **84** | **146.4%** |

## Itaucred

The *pro forma* financial statements of Itaucred are presented below, based on managerial information provided by proprietary models, in order to more accurately reflect the performance of the business units.

**On December 31, 2008**

*R$ million*

| ASSETS | Itaucred | | | |
|---|---|---|---|---|
| | Vehicles | Credit Cards - Non-Account Holders | Taií + Payroll | Itaucred |
| **Current and Long-term Assets** | **43,149** | **4,840** | **4,174** | **52,163** |
| Loans | 43,073 | 5,343 | 4,592 | 53,008 |
| (Allowance for Loan Losses) | (2,450) | (688) | (734) | (3,871) |
| Other Assets | 2,526 | 185 | 316 | 3,026 |
| **Permanent Assets** | **79** | **-** | **73** | **152** |
| **TOTAL ASSETS** | **43,227** | **4,840** | **4,247** | **52,315** |

*R$ million*

| LIABILITIES AND EQUITY | Itaucred | | | |
|---|---|---|---|---|
| | Vehicles | Credit Cards - Non-Account Holders | Taií + Payroll | Itaucred |
| **Current and Long-term Liabilities** | **39,676** | **4,224** | **3,626** | **47,525** |
| Deposits | 13 | - | - | 13 |
| Securities Repurchase Agreements | 37,276 | 1,031 | 2,240 | 40,547 |
| Borrowings and On-Lendings | 424 | - | 0 | 424 |
| Other Liabilities | 1,964 | 3,192 | 1,385 | 6,541 |
| **Allocated Tier I Capital** | **3,552** | **617** | **622** | **4,790** |
| Allocated Tier I Capital of Minority Interests | - | - | 166 | 166 |
| Allocated Tier I Capital of Parent Company | 3,552 | 617 | 455 | 4,623 |
| **TOTAL LIABILITIES AND EQUITY** | **43,227** | **4,840** | **4,247** | **52,315** |

**Statement of Income**

*R$ million*

| 4th Quarter/08 | Vehicles | Credit Cards - Non-Account Holders | Taií + Payroll | Itaucred |
|---|---|---|---|---|
| **Managerial Financial Margin** | **916** | **404** | **222** | **1,542** |
| **Result from Loan Losses** | **(437)** | **(179)** | **(133)** | **(748)** |
| Provision for Loan and Lease Losses | (480) | (245) | (175) | (900) |
| Recovery of Credits Written-Off as Losses | 44 | 66 | 43 | 152 |
| **Net Result from Financial Operations** | **479** | **225** | **89** | **794** |
| **Other Operating Income/(Expenses)** | **(177)** | **(101)** | **(105)** | **(383)** |
| Banking fees and charge revenues | 119 | 174 | 63 | 355 |
| Operating Result of Insurance, Pension Plans and Capitalization | 9 | 9 | 2 | 20 |
| Non-interest Expenses | (245) | (253) | (162) | (660) |
| Tax Expenses for ISS, PIS and Cofins | (72) | (32) | (25) | (128) |
| Other Operating Income | 12 | 0 | 18 | 30 |
| **Operating Income** | **303** | **124** | **(15)** | **411** |
| Non-operating Income | 0 | - | 0 | 1 |
| **Income Before Tax and Profit Sharing** | **303** | **124** | **(15)** | **412** |
| **Income Tax and Social Contribution** | **(88)** | **(40)** | **8** | **(120)** |
| **Profit Sharing** | **(10)** | **(5)** | **(3)** | **(18)** |
| **Recurring Net Income** | **205** | **79** | **(10)** | **274** |
| Recurring Net Income of Minority Interests | - | - | 2 | 2 |
| Recurring Net Income of Parent Company | 205 | 79 | (12) | 272 |
| **(RAROC) - Return on Average Tier I Allocated Capital** | **23.7%** | **53.0%** | **-6.5%** | **23.5%** |
| **Efficiency Ratio** | **24.9%** | **45.6%** | **57.9%** | **36.3%** |

Note: Non-interest Expenses comprise Personnel Expenses, Other Administrative Expenses, Tax Expenses, and Other Operating Expenses.

## Itaucred

**On September 30, 2008**

*R$ million*

| ASSETS | Itaucred | | | |
|---|---|---|---|---|
| | Vehicles | Credit Cards - Non-Account Holders | Taií + Payroll | Itaucred |
| **Current and Long-term Assets** | **42,729** | **4,368** | **3,854** | **50,952** |
| Loans | 42,257 | 4,606 | 4,254 | 51,117 |
| (Allowance for Loan Losses) | (2,175) | (485) | (687) | (3,347) |
| Other Assets | 2,647 | 247 | 287 | 3,181 |
| **Permanent Assets** | **65** | **-** | **64** | **130** |
| **TOTAL ASSETS** | **42,795** | **4,368** | **3,919** | **51,081** |

*R$ million*

| LIABILITIES AND EQUITY | Itaucred | | | |
|---|---|---|---|---|
| | Vehicles | Credit Cards - Non-Account Holders | Taií + Payroll | Itaucred |
| **Current and Long-term Liabilities** | **39,411** | **3,797** | **3,332** | **46,540** |
| Deposits | 16 | - | - | 16 |
| Securities Repurchase Agreements | 37,252 | 1,070 | 2,158 | 40,480 |
| Borrowings and On-Lendings | 321 | - | 0 | 321 |
| Other Liabilities | 1,822 | 2,726 | 1,174 | 5,723 |
| **Allocated Tier I Capital** | **3,384** | **572** | **587** | **4,542** |
| Allocated Tier I Capital of Minority Interests | - | - | 156 | 156 |
| Allocated Tier I Capital of Parent Company | 3,384 | 572 | 431 | 4,386 |
| **TOTAL LIABILITIES AND EQUITY** | **42,795** | **4,368** | **3,919** | **51,081** |

**Statement of Income**

*R$ million*

| 3rd Quarter/08 | Vehicles | Credit Cards - Non-Account Holders | Taií + Payroll | Itaucred |
|---|---|---|---|---|
| **Managerial Financial Margin** | **874** | **388** | **224** | **1,486** |
| **Result from Loan Losses** | **(406)** | **(195)** | **(131)** | **(732)** |
| Provision for Loan and Lease Losses | (450) | (214) | (165) | (829) |
| Recovery of Credits Written-Off as Losses | 44 | 19 | 34 | 97 |
| **Net Result from Financial Operations** | **468** | **193** | **93** | **754** |
| **Other Operating Income/(Expenses)** | **(122)** | **(89)** | **(113)** | **(325)** |
| Banking fees and charge revenues | 170 | 163 | 55 | 387 |
| Operating Result of Insurance, Pension Plans and Capitalization | 7 | 13 | 1 | 22 |
| Non-interest Expenses | (269) | (234) | (160) | (663) |
| Tax Expenses for ISS, PIS and Cofins | (77) | (32) | (23) | (132) |
| Other Operating Income | 47 | 0 | 14 | 61 |
| **Operating Income** | **346** | **103** | **(20)** | **429** |
| Non-operating Income | (0) | - | 0 | 0 |
| **Income Before Tax and Profit Sharing** | **346** | **103** | **(20)** | **429** |
| **Income Tax and Social Contribution** | **(106)** | **(32)** | **10** | **(128)** |
| **Profit Sharing** | **(6)** | **(3)** | **(3)** | **(12)** |
| **Recurring Net Income** | **234** | **68** | **(13)** | **289** |
| Recurring Net Income of Minority Interests | - | - | 3 | 3 |
| Recurring Net Income of Parent Company | 234 | 68 | (15) | 287 |
| **(RAROC) - Return on Average Tier I Allocated Capital** | **28.5%** | **50.0%** | **-8.1%** | **26.0%** |
| **Efficiency Ratio** | **26.3%** | **43.9%** | **59.2%** | **36.3%** |

Note: Non-interest Expenses comprise Personnel Expenses, Other Administrative Expenses, Tax Expenses, and Other Operating Expenses.

## Itaucred

### Vehicles

At the end of 2008, Itaú reached 28% of the vehicle market share compared to 27% from the previous quarter. As for new contracts, market share kept stable at 24%. In the fourth quarter of 2008, the portfolio balance achieved R$43,073 million, representing a small1.9% increment over the prior quarter, due to the impact of the economic crisis in global markets.

The Itaucred Vehicle subsegement net income was R$ 205 million in the fourth quarter of 2008, a 12.3% decline compared to the prior quarter. The reduction in the volume of new credit extensions impacted service fee revenues, which were 29.8% lower than in the prior quarter.

### Credit Cards – Non-Account Holders

The Credit Card – Non-Account Holders subsegment net income amounted to R$ 79 million in the fourth quarter of 2008, a 15.9% growth quarter-on-quarter.

The managerial financial margin increased primarily on account of higher revenues from early settlements to retailers and higher revenues from the receipt of overdue amounts, due to the increased liquidity levels seen in the last quarter of the year. To take advantage of such liquidity, we carried out additional collection efforts, including renegotiation processes, which gave rise to increased income from the recovery of credits previously written-off as losses. The growth in the amount of receivables (cash and financed sales), driven by the higher volume of transactions, as well as the changes in the macroeconomic environment, impacted the provision for doubtful loans. The increase in banking service fees was essentially due to the higher interchange revenues arising from the increased transaction amounts, which is typical of the last quarter of the year. As a result of the higher transaction amounts, increased number of transactions, and sales and activation efforts, expenses for direct mailing, mail, call center, award program and systems also went up. The usual campaigns at year-end also brought about higher marketing expenses.

### Taií

Taií, Itaú's consumer-credit segment, encompasses the transactions of Financeira Itaú (FIT), a company 100% Itaú; and Financeira Itaú CBD (FIC) and Financeira Americanas Itaú (FAI), in which Itaú has equity interest of 50% of the share capital. The credit portfolio of Taií, excluding the payroll credit, reached R$2,359 million in December 2008, up 12% in relation to September 2008. The client base reached 7.5 million, 5.2% higher than the third quarter of 2008.

### Financeira Itaú (FIT)

The focus on the fourth quarter of 2008 was on increasing the products' portfolio and the activation of the client base. The plan that had been announced in the third quarter, which encompassed the reduction of the stores' network, has been implemented, maintaining those with greater potential to generate value, with a total of 136 stores at year-end.

### Financeira Itaú CBD (FIC)

The strategy of Financeira Itaú CBD (FIC) focused on Private Label and Branded cards, and the year-end sales increased invoicing by 23% compared with the third quarter and increased share of sales within the Pão de Açúcar Group by 4%. The business has 563 stores, 4.8 million clients and 1.3 million accounts sold in 2008.

### Financeira Americanas Itaú (FAI)

FAI had 463 points of sale at the close of the quarter, increasing 57% over the previous quarter. At the end of 2008, it exceeded 2.8 million cards, which contributed to increasing the share in the sales of its controlling shareholder to 12% in December 2008.

**Taií + Payroll - Recurring Net Income/(Loss)**

*R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation |
|---|---|---|---|
| FIT | (14) | (16) | 1 |
| FIC | 4 | 5 | (1) |
| FAI | (11) | (11) | 0 |
| **Subtotal - Taií** | **(21)** | **(22)** | **1** |
| Payroll | 11 | 9 | 2 |
| **Total** | **(10)** | **(13)** | **3** |

# Value at Risk
# Activities Abroad
# Balance Sheet by Currency

## Value at Risk (VaR)

### Itaú

As the fixed rate market is expected to maintain its current trend (decrease in future rates), Itaú continued to pursue its strategy of optimizing the risk/return ratio.

The Structural Gap, including commercial transactions and related financial instruments, showed increased average and maximum VaR values during the quarter, on account of the high volatility seen in the market during the period. However, at December 31, 2008, VaR declined in all risk factors which comprise these portfolios, primarily driven by reduced volatility brought about by a conservative management of the portfolios. Accordingly, Global VaR remained at low levels considering the Bank's net equity.

### Itaú BBA

In the fourth quarter of 2008, Brazil experienced a decrease in risk premiums in the fixed-income market, and a significantly increased volatility in the currency, equity and sovereign risk markets. In this context, Itaú BBA´s values at risk increased. Such scenario, however, did not alter the characteristics of the Bank's exposure to risk, which is still negligible compared to the institution's equity. Accordingly, average VaR remained below 1% of the Bank's tier 1 capital.

**Itaú - Structural Gap VaR (*)**

*R$ million*

| | Dec 31, 08 | Sep 30, 08 |
|---|---|---|
| Fixed Rate | 145.6 | 169.8 |
| Benchmark Rate (TR) | 13.8 | 30.4 |
| Inflation Rates | 3.3 | 6.9 |
| Dollar Coupon Rate | 13.7 | 31.4 |
| Foreign Exchange (**) | 7.6 | 22.8 |
| Equities | 10.0 | 14.7 |
| Diversification Impact | (33.3) | (88.5) |
| **Global VaR (**)** | **160.8** | **187.5** |

(*) VaR refers to the maximum potential loss in 1 day, with a 99% confidence level.
(**) Considering the effects of tax adjustments.

**Itaú BBA - VaR**

*R$ million*

| | Dec 31, 08 | Sep 30, 08 |
|---|---|---|
| Fixed Rate | 14.0 | 2.5 |
| Dollar Coupon Rate | 3.1 | 10.6 |
| Foreign Exchange (*) | 8.7 | 28.5 |
| Equities | 3.7 | 5.9 |
| Sovereign | 9.6 | 25.1 |
| Inflation Rates | 2.7 | 1.3 |
| Foreign Interest Rates | 1.9 | 3.6 |
| Commodities | 0.0 | 0.1 |
| Foreign Exchange - Other Currencies | 1.0 | 0.8 |
| Other | 8.6 | 12.5 |
| Diversification Impact | (35.6) | (64.6) |
| **Global VaR (*)** | **17.6** | **26.2** |

(*) Considering the effects of tax adjustments.

**Itaú - Stress VaR of the Proprietary Desk**

*R$ million*

| | Dec 31, 08 | Sep 30, 08 |
|---|---|---|
| **Global Stress VaR** | **(79.4)** | **(77.3)** |
| Maximum Global Stress VaR in the quarter | (163.1) | (107.1) |
| Average Global Stress VaR in the quarter | (91.2) | (87.7) |
| Minimum Global Stress VaR in the quarter | (51.5) | (66.2) |

# Activities Abroad

## Financial Statements

Below we present the financial statements of our main units abroad.

**On December 31, 2008** *R$ million*

| ASSETS | Consolidated Itaú Europa | Banco Itaú Argentina | Consolidated Itaú Chile | Consolidated Itaú Uruguay |
|---|---|---|---|---|
| **Current and Long-term Assets** | **24,251** | **2,448** | **11,757** | **3,227** |
| Cash and Cash Equivalents | 1,535 | 160 | 826 | 1,110 |
| Short-term Interbank Deposits | 3,974 | 185 | 158 | 354 |
| Securities | 2,674 | 74 | 2,064 | 91 |
| Loans | 6,758 | 1,559 | 8,431 | 1,626 |
| (Allowance for Loan Losses) | (69) | (23) | (149) | (88) |
| Other Credits | 9,186 | 134 | 253 | 122 |
| Other Assets | 193 | 359 | 173 | 11 |
| **Permanent Assets** | **823** | **77** | **155** | **26** |
| Investments | 521 | 8 | 1 | 0 |
| Fixed Assets | 17 | 69 | 113 | 26 |
| Intangible Assets | 285 | 0 | 41 | 0 |
| **TOTAL ASSETS** | **25,074** | **2,525** | **11,911** | **3,254** |

| LIABILITIES AND EQUITY | Consolidated Itaú Europa | Banco Itaú Argentina | Consolidated Itaú Chile | Consolidated Itaú Uruguay |
|---|---|---|---|---|
| **Current and Long-term Liabilities** | **23,703** | **2,279** | **10,320** | **2,922** |
| Deposits | 9,294 | 1,955 | 7,709 | 2,425 |
| Deposits Received under Securities Repurchase Agreements | 205 | 28 | 427 | - |
| Funds from Acceptances and Issue of Securities | 2,433 | - | 496 | - |
| Borrowings and On-lendings | 1,673 | 69 | 961 | 12 |
| Derivative Financial Instruments | 168 | 13 | 330 | - |
| Other Liabilities | 9,930 | 214 | 394 | 485 |
| **Deferred Income** | **13** | **0** | **0** | **-** |
| **Minority Interest in Subsidiaries** | **0** | **-** | **0** | **0** |
| **Stockholders' Equity of Parent Company** | **1,358** | **247** | **1,591** | **332** |
| **TOTAL LIABILITIES AND EQUITY** | **25,074** | **2,525** | **11,911** | **3,254** |

| 4rd Quarter/08 | Consolidated Itaú Europa | Banco Itaú Argentina | Consolidated Itaú Chile | Consolidated Itaú Uruguay |
|---|---|---|---|---|
| **Financial Margin** | **46** | **108** | **162** | **72** |
| **Result from Loan Losses** | **(6)** | **(1)** | **(61)** | **(5)** |
| Provision for Loan and Lease Losses | (6) | (1) | (66) | (7) |
| Recovery of Credits Written-Off as Losses | - | 0 | 5 | 2 |
| **Net Result from Financial Operations** | **39** | **107** | **101** | **67** |
| **Other Operating Income/(Expenses)** | **7** | **(80)** | **(52)** | **(6)** |
| Banking Service Fees | 58 | 29 | 38 | 57 |
| Non-interest Expenses | (137) | (109) | (97) | (71) |
| Equity in the Earnings of Associated Companies | 40 | 1 | 0 | - |
| Other Operating Income | 45 | (1) | 4 | 8 |
| **Operating Income** | **46** | **27** | **49** | **61** |
| Non-operating Income | - | 1 | 1 | 0 |
| **Income before Tax and Profit Sharing** | **46** | **28** | **50** | **62** |
| **Income Tax and Social Contribution** | **13** | **(20)** | **(7)** | **(22)** |
| **Profit Sharing** | **(6)** | **(2)** | **-** | **-** |
| **Minority Interest in Subsidiaries** | **0** | **-** | **(0)** | **(0)** |
| **Recurring Net Income** | **54** | **6** | **43** | **40** |
| **Return on Equity - Annualized (%p.y.)** | **17.0%** | **10.0%** | **12.0%** | **52.0%** |
| **Efficiency Ratio** | **91.6%** | **80.3%** | **46.7%** | **51.6%** |
| **Non-interest Expenses by total Assets (%p.y.)** | **2.2%** | **17.3%** | **3.2%** | **8.7%** |

| Exchange Variance (Relationship with Brazilian Real) | Euro | Argentinean Peso | Chilean Peso | Uruguayan Peso |
|---|---|---|---|---|
| 3rd Quarter/08 | 7.5% | 16.1% | 14.4% | 10.3% |
| 4rd Quarter/08 | 20.2% | 10.8% | 5.1% | 6.5% |

### Europe (Lisbon, London and Luxembourg)

In the fourth quarter of 2008, Banco Itaú Europa and its subsidiaries became wholly-owned subsidiaries of Banco Itaú.

The increase in total assets is directly attributable to accounting reclassifications of the foreign exchange portfolio, with the segregation of purchases and sales, and the appreciation of the euro against the real by 20.2%.

The financial margin declined as a result of the reduced financial spread driven by the increase in funding costs.

### Argentina

In the last quarter, total assets increased by 4.1%, due to the 10.8% appreciation of the Argentinean peso against the real, partly offset by a downturn in the local economy.

Recurring net income remained at historical levels, with the increase in the financial margin due to higher spreads, partly offset by the growth in personnel expenses.

## Activities Abroad

**On September 30, 2008** *R$ million*

| ASSETS | Consolidated Itaú Europa | Banco Itaú Argentina | Consolidated Itaú Chile | Consolidated Itaú Uruguay |
|---|---|---|---|---|
| **Current and Long-term Assets** | **12,107** | **2,364** | **9,806** | **2,646** |
| Cash and Cash Equivalents | 316 | 100 | 383 | 829 |
| Short-term Interbank Deposits | 3,759 | 198 | 311 | 296 |
| Securities | 2,080 | 59 | 1,295 | 107 |
| Loans | 5,658 | 1,525 | 7,441 | 1,368 |
| (Allowance for Loan Losses) | (56) | (26) | (116) | (72) |
| Other Credits | 261 | 247 | 394 | 108 |
| Other Assets | 88 | 260 | 99 | 9 |
| **Permanent Assets** | **711** | **63** | **137** | **27** |
| Investments | 458 | 13 | 1 | 0 |
| Fixed Assets | 12 | 41 | 86 | 24 |
| Intangible Assets | 241 | 8 | 51 | 2 |
| **TOTAL ASSETS** | **12,818** | **2,426** | **9,943** | **2,673** |

| LIABILITIES AND EQUITY | Consolidated Itaú Europa | Banco Itaú Argentina | Consolidated Itaú Chile | Consolidated Itaú Uruguay |
|---|---|---|---|---|
| **Current and Long-term Liabilities** | **11,634** | **2,216** | **8,662** | **2,390** |
| Deposits | 7,005 | 1,830 | 6,175 | 1,987 |
| Deposits Received under Securities Repurchase Agreements | 171 | 28 | 263 | - |
| Funds from Acceptances and Issue of Securities | 2,474 | - | 488 | - |
| Borrowings and On-lendings | 1,224 | 103 | 1,084 | 13 |
| Derivative Financial Instruments | 123 | 6 | 203 | - |
| Other Liabilities | 638 | 247 | 450 | 390 |
| **Deferred Income** | **11** | **0** | **0** | **-** |
| **Minority Interest in Subsidiaries** | **0** | **-** | **0** | **0** |
| **Stockholders' Equity of Parent Company** | **1,172** | **211** | **1,281** | **283** |
| **TOTAL LIABILITIES AND EQUITY** | **12,818** | **2,426** | **9,943** | **2,673** |

| 3rd Quarter/08 | Consolidated Itaú Europa | Banco Itaú Argentina | Consolidated Itaú Chile | Consolidated Itaú Uruguay |
|---|---|---|---|---|
| **Financial Margin** | **57** | **54** | **146** | **71** |
| **Result from Loan Losses** | **(15)** | **1** | **(31)** | **(2)** |
| Provision for Loan and Lease Losses | (15) | (1) | (35) | (3) |
| Recovery of Credits Written-Off as Losses | - | 2 | 5 | 1 |
| **Net Result from Financial Operations** | **41** | **55** | **116** | **69** |
| **Other Operating Income/(Expenses)** | **18** | **(49)** | **(59)** | **(28)** |
| Banking Service Fees | 40 | 24 | 25 | 49 |
| Non-interest Expenses | (70) | (77) | (87) | (72) |
| Equity in the Earnings of Associated Companies | 23 | 2 | 0 | 0 |
| Other Operating Income | 24 | 2 | 4 | (4) |
| **Operating Income** | **59** | **6** | **57** | **41** |
| Non-operating Income | - | 1 | 1 | 0 |
| **Income before Tax and Profit Sharing** | **59** | **7** | **58** | **42** |
| **Income Tax and Social Contribution** | **(9)** | **(1)** | **(6)** | **(5)** |
| **Profit Sharing** | **(2)** | **(1)** | **-** | **-** |
| **Minority Interest in Subsidiaries** | **(0)** | **-** | **(0)** | **(0)** |
| **Recurring Net Income** | **48** | **4** | **52** | **37** |
| **Return on Equity - Annualized (%p.y.)** | **17.5%** | **8.9%** | **18.7%** | **57.5%** |
| **Efficiency Ratio** | **57.7%** | **96.0%** | **50.0%** | **62.7%** |
| **Non-interest Expenses by total Assets (%p.y.)** | **2.2%** | **12.6%** | **3.5%** | **10.8%** |

### Chile

Consolidated assets increased by 19.1%, on account of the 5.1% appreciation of the Chilean peso against the real, coupled with the growth in the foreign trade financing portion of the credit portfolio. These transactions, carried out in the corporate and middle market segments, were funded by the increase in term deposits made by institutional customers. During the period, three new branches were opened.

The decline in recurring net income was driven by higher provisions for doubtful loans, in line with the more conservative rating criteria adopted, party offset by the growth in financial margin, as a function of the increased mix of volume-spread in the credit portfolio in all segments, as well as gains on treasury transactions in the forward market.

### Uruguay

In the fourth quarter of 2008, consolidated assets grew by 21.7%, driven by the appreciation of the Uruguayan peso and the U.S. dollar against the real. Additionally, the credit portfolio increased, both in the corporate and individual segments, due to the holiday season and higher use of credit cards. Such growth was funded by deposits made by individuals and companies, as well as the 2.0% expansion in the customer base during the last quarter of the year.

The increase in recurring net income is directly attributable to higher revenues from credit card services, partly offset by a higher provision for doubtful loans, with the adoption of more conservative rating criteria, prompted by the impacts of the global financial crisis.

## Balance Sheet by Currency (*)

The Balance Sheet by Currency shows the balances linked to the local and foreign currencies. At December 31, 2008, the net foreign exchange position, including investments abroad, was a liability of US$ 5,508 million.

*R$ million*

| Assets | Dec 31,08 | | | | |
|---|---|---|---|---|---|
| | Consolidated Itaú | Business in Brazil Itaú | | | Business Abroad Itaú |
| | | Total | Local Currency | Foreign Currency | |
| **Cash and Cash Equivalents** | **11,809** | **3,748** | **2,973** | **775** | **8,109** |
| **Short Term Interbank Deposits** | **85,586** | **77,273** | **76,871** | **402** | **16,645** |
| **Securities** | **97,540** | **86,644** | **84,077** | **2,568** | **18,800** |
| **Loans** | **167,146** | **141,259** | **116,396** | **11,391** | **28,521** |
| **(Allowance for Loan Losses)** | **(13,912)** | **(13,472)** | **0** | **0** | **(440)** |
| **Other Assets** | **96,005** | **82,879** | **64,404** | **18,475** | **15,192** |
| Foreign Exchange Portfolio | 43,425 | 33,104 | 15,071 | 18,033 | 12,322 |
| Other | 52,580 | 49,775 | 49,333 | 442 | 2,871 |
| **Permanent Assets** | **6,519** | **20,118** | **4,901** | **15,218** | **1,604** |
| **TOTAL ASSETS** | **450,693** | **398,451** | **349,622** | **48,828** | **88,432** |
| **Derivatives - Purchased Positions** | | | | **70,248** | |
| Futures | | | | 20,000 | |
| Options | | | | 28,664 | |
| Swaps | | | | 11,097 | |
| Other | | | | 10,487 | |
| **TOTAL ASSETS AFTER ADJUSTMENTS (a)** | | | | **119,076** | |

| Liabilities and Equity | Dec 31,08 | | | | |
|---|---|---|---|---|---|
| | Consolidated Itaú | Business in Brazil Itaú | | | Business Abroad Itaú |
| | | Total | Local Currency | Foreign Currency | |
| **Deposits** | **150,673** | **121,096** | **120,953** | **143** | **32,703** |
| **Funds Received under Securities Repurchase Agreements** | **91,006** | **89,029** | **89,029** | **0** | **1,981** |
| **Funds from Acceptances and Issue of Securities** | **11,103** | **12,134** | **5,638** | **6,497** | **5,439** |
| **Borrowings and On-Lendings** | **24,062** | **20,231** | **7,448** | **12,783** | **13,152** |
| **Derivative Financial Instruments** | **8,008** | **5,996** | **5,996** | **0** | **2,011** |
| **Other Liabilities** | **102,108** | **87,180** | **63,898** | **23,282** | **17,909** |
| Foreign Exchange Portfolio | 42,631 | 32,229 | 10,701 | 21,528 | 12,402 |
| Other | 59,477 | 54,951 | 53,197 | 1,754 | 5,507 |
| **Technical Provisions of Insurance, Pension Plans and Capitalization** | **28,950** | **28,949** | **28,949** | **0** | **2** |
| **Deferred Income** | **119** | **102** | **102** | **0** | **18** |
| **Minority Interest in Subsidiaries** | **1,317** | **386** | **386** | **0** | **0** |
| **Stockholders' Equity of Parent Company** | **33,347** | **33,347** | **33,347** | **0** | **15,218** |
| **TOTAL LIABILITIES AND EQUITY** | **450,693** | **398,451** | **355,745** | **42,705** | **88,432** |
| **Derivatives - Sold Positions** | | | | **89,243** | |
| Futures | | | | 37,844 | |
| Options | | | | 25,937 | |
| Swaps | | | | 18,093 | |
| Other | | | | 7,369 | |
| **TOTAL LIABILITIES AND EQUITY AFTER ADJUSTMENTS (b)** | | | | **131,948** | |
| **Foreign Exchange Position Itaú (c = a - b)** | | | | **(12,872)** | |
| **Foreign Exchange Position Itaú (c) in US$** | | | | **(5,508)** | |

(*) Does not consider eliminations of transactions between local and foreign business.

# Management Discussion and Analysis

## UNIBANCO

## Executive Summary
## Fourth Quarter 2008

In order to allow the correct evaluation of Unibanco's performance in the fourth quarter of 2008, the Management Discussion and Analysis Report, as follows, presents the analysis about the factors that have influenced the net income of the institution during the period.

### Tax Effect of Hedge of Investments Abroad and Sovereign Bonds

*R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation |
|---|---|---|---|
| Tax Effect of Hedge of Investments Abroad (*) | 779 | 699 | 80 |
| Tax Effect of Sovereign Bonds | 72 | 75 | (3) |
| **Total** | **851** | **774** | **77** |

(*) As shown in the table on page 72.

## Managerial Statement of Income

*R$ million*

| 4th Quarter/08 | Unibanco | | |
|---|---|---|---|
| | *Pro Forma* | Tax Effect of Hedge of Investments Abroad and Sovereign Bonds | Managerial |
| **Managerial Financial Margin** | **2,454** | **851** | **3,305** |
| • Financial Margin with Customers | 2,758 | - | 2,758 |
| • Financial Margin with Market | (304) | 851 | 547 |
| **Result from Loan Losses** | **(690)** | **-** | **(690)** |
| Provision for Loan and Lease Losses | (767) | - | (767) |
| Recovery of Credits Written Off as Losses | 77 | - | 77 |
| **Net Result from Financial Operations** | **1,765** | **851** | **2,616** |
| **Other Operating Income/(Expenses)** | **(1,297)** | **(96)** | **(1,393)** |
| Banking Fees and Charge Revenues | 921 | - | 921 |
| Result from Op. of Insurance, Pension Plans and Capitalization | 232 | - | 232 |
| Non-interest Expenses | (2,393) | - | (2,393) |
| Tax Expenses for ISS, PIS and Cofins | (237) | (96) | (333) |
| Equity in the Earnings of Associated Companies | 2 | - | 2 |
| Other Operating Income | 177 | - | 177 |
| **Operating Income** | **467** | **755** | **1,222** |
| Non-operating Income | (28) | - | (28) |
| **Income before Tax and Profit Sharing** | **439** | **755** | **1,194** |
| **Income Tax and Social Contribution** | **500** | (755) | **(255)** |
| **Profit Sharing** | **(203)** | - | **(203)** |
| **Minority Interests** | **(84)** | - | **(84)** |
| **Net Income** | **652** | **-** | **652** |

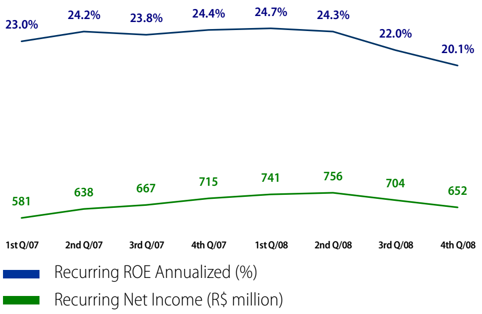
*R$ million*

| 3rd Quarter/08 | Unibanco | | |
|---|---|---|---|
| | *Pro Forma* | Tax Effect of Hedge of Investments Abroad and Sovereign Bonds | Managerial |
| **Managerial Financial Margin** | **2,127** | **774** | **2,902** |
| • Financial Margin with Customers | 2,634 | - | 2,634 |
| • Financial Margin with Market | (506) | 774 | 268 |
| **Result from Loan Losses** | **(595)** | **-** | **(595)** |
| Provision for Loan and Lease Losses | (671) | - | (671) |
| Recovery of Credits Written Off as Losses | 76 | - | 76 |
| **Net Result from Financial Operations** | **1,532** | **774** | **2,307** |
| **Other Operating Income/(Expenses)** | **(1,118)** | **(79)** | **(1,197)** |
| Banking Fees and Charge Revenues | 886 | - | 886 |
| Result from Op. of Insurance, Pension Plans and Capitalization | 254 | - | 254 |
| Non-interest Expenses | (2,140) | - | (2,140) |
| Tax Expenses for ISS, PIS and Cofins | (222) | (79) | (301) |
| Equity in the Earnings of Associated Companies | 1 | - | 1 |
| Other Operating Income | 103 | - | 103 |
| **Operating Income** | **414** | **696** | **1,110** |
| Non-operating Income | (11) | - | (11) |
| **Income before Tax and Profit Sharing** | **403** | **696** | **1,099** |
| **Income Tax and Social Contribution** | 514 | (696) | (181) |
| **Profit Sharing** | (128) | - | (128) |
| **Minority Interests** | (86) | - | (86) |
| **Net Income** | **704** | **-** | **704** |

Note: The Statements of Income above do not include the effects of the merger and of equalization of accouting criteria.

## Executive Summary
## Fourth Quarter 2008

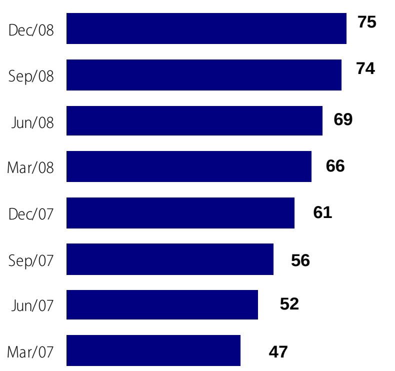
### Net Income and Recurring ROE




The consolidated recurring net income for the fourth quarter of 2008 added up to R$ 652 million, corresponding to a reduction of 7.3% from the prior quarter. It is worth mentioning that, in the fourth quarter, differently from the previous quarter, the dividends were not paid as interest on capital. Excluding the effect of the tax benefit related to interest on capital in the third quarter of R$ 97 million, net income of the fourth quarter would have presented a 7.4% growth from the prior quarter.

### Loan Portfolio (*)

*R$ billion*




(*) Endorsements and sureties not included.

*R$ million*

| | Dec 31,08 | Sep 30,08 | Dec 31,07 | Variation (%) Dec/08-Sep/08 | Variation (%) Dec/08-Dec/07 |
|---|---|---|---|---|---|
| **Individuals** | **27,946** | **27,143** | **24,621** | **3.0%** | **13.5%** |
| Credit Card | 7,732 | 7,187 | 6,875 | 7.6% | 12.5% |
| Personal Loans | 12,449 | 12,300 | 12,112 | 1.2% | 2.8% |
| Vehicles | 7,765 | 7,656 | 5,634 | 1.4% | 37.8% |
| **Businesses** | **42,720** | **42,400** | **32,709** | **0.8%** | **30.6%** |
| Corporate | 29,525 | 29,104 | 21,441 | 1.4% | 37.7% |
| Micro, Small and Middle Market | 13,195 | 13,296 | 11,268 | -0.8% | 17.1% |
| **Directed Loans** | **3,516** | **3,700** | **3,436** | **-5.0%** | **2.3%** |
| Rural Loans | 1,290 | 1,508 | 1,695 | -14.5% | -23.9% |
| Mortgage Loans | 2,226 | 2,192 | 1,741 | 1.6% | 27.9% |
| **Paraguay** | **1,103** | **1,029** | **669** | **7.2%** | **64.9%** |
| **Total** | **75,285** | **74,272** | **61,435** | **1.4%** | **22.5%** |

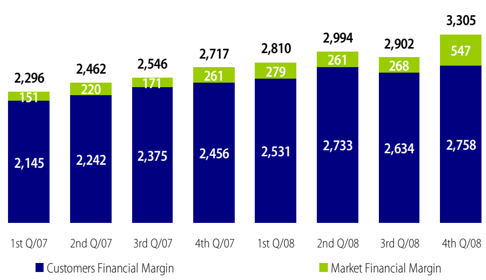
The loan and financing portfolio totaled R$ 75,285 million in the fourth quarter of 2008, corresponding to increases of 1.4% in the quarter and 22.5% in 12 months.

Noteworthy in 2008 was the growth by 37.8% in vehicle financing and leasing transactions with individuals, 37.7% in the large corporation portfolio, 27.9% in real estate credit transactions, and 64.9% in the credit portfolio of our operation in Paraguay. The large corporation portfolio was influenced by the depreciation of the real against the U.S. dollar by 31.9% during the year, as well as the higher demand for funds in the domestic market, primarily on account of the reduced liquidity levels in international markets.

During the quarter, the 1.4% change in the total loan and financing portfolio was negatively impacted by the 19.1% decline in payroll credit portfolios acquired, lower consumer demand in the vehicle segment, integration of large corporate transactions with Itaú BBA, and the conservative stance assumed by management with respect to higher risk portfolios.

### Managerial Financial Margin

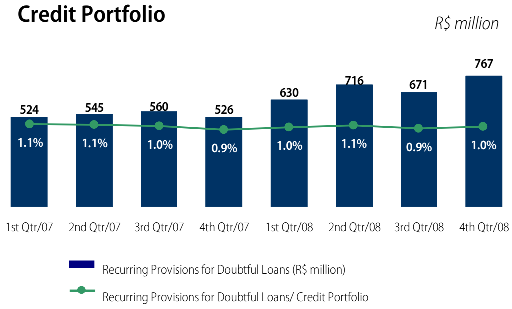
*R$ million*




The managerial financial margin was R$ 3,305 million in the fourth quarter of 2008, increasing by 13.9% from the third quarter of the year. The managerial financial margin with clients grew by 4.7% compared to the prior period, reaching a total of R$ 2,758 million. The increased volume of spread-sensitive transactions had a positive impact on our financial margin with clients. The financial margin with the market increased by 104.1% compared to the prior quarter, essentially driven by the growth in treasury financial margin.

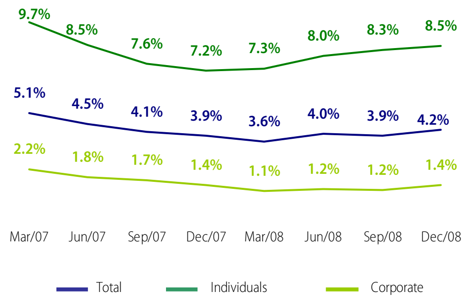
# Executive Summary
# Fourth Quarter 2008

### Provision for Loan Losses and Credit Portfolio



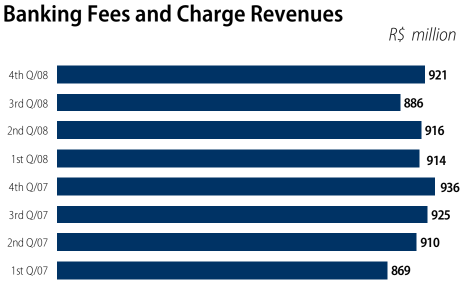

During the fourth quarter of 2008, provisions for doubtful loans amounted to R$ 767 million, up 14.3% from the prior quarter. The recurring expense of provision for doubtful loans as a percentage of the average portfolio was 1.0%, in line with prior quarter percentages. The nonperforming loan ratio increased by 30 basis points from the prior quarter, standing at 4.2%. Such change is mainly attributable to the lower portfolio growth when compared to prior quarters, as well as maturities of financing transactions.

### NPL Ratio (*) - Individuals x Businesses (%)



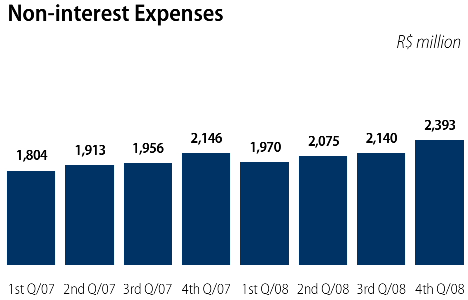

(*) Nonperforming Loans: Loan Transactions overdue more than 60 days

### Banking Fees and Charge Revenues



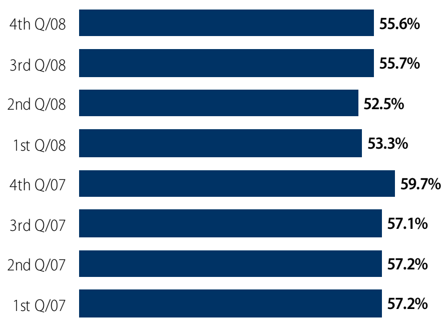

Banking fee and banking charge revenues amounted to R$ 921 million in the fourth quarter of 2008, growing by 4.0% from the prior quarter. During the period, credit card revenues increased as a result of the expansion in the volume of transactions. Revenues from asset management were impacted by the reduction in performance fees, given a less positive market environment than in the prior quarter and year, as well as the reduction in the volume of assets under management, which have migrated to time deposit transactions.

### Non-interest Expenses




During the fourth quarter of 2008, non-interest expenses were 11.8% higher than in the prior period. Personnel expenses increased quarter-on-quarter due to the full impact, in the quarter, of the rise in bank employees' salaries and benefits under the new Collective Labor Agreement, and the supplementary benefit of food vouchers. Moreover, depreciation and amortization, third-party services and advertising, promotion and publication expenses increased as a result of the seasonal effect of the last quarter of the year, when the volume of transactions is higher. However, the increase in our revenues was higher than the growth in expenses, and as a result our efficiency ratio stood at 55.6% in the fourth quarter of 2008, practically flat when compared to the prior quarter.

### Efficiency Ratio



## Executive Summary
## Fourth Quarter of 2008

### *Pro Forma* Balance Sheet

The *Pro Forma* Balance Sheet below does not include the effects of the merger and of equalization of accounting criteria.

*R$ million*

| ASSETS | Dec 31,08 | Sep 30,08 | Dec 31,07 | Variation % Dec/08-Sep/08 | Variation % Dec/08-Dec/07 |
|---|---|---|---|---|---|
| **Current and Long-term Assets** | **180,455** | **175,085** | **146,614** | **3.1%** | **23.1%** |
| Cash and Cash Equivalents | 3,869 | 3,788 | 4,430 | 2.1% | -12.7% |
| Short-term Interbank Deposits | 40,808 | 38,049 | 37,672 | 7.3% | 8.3% |
| Securities and Derivative Instruments | 41,186 | 38,036 | 25,974 | 8.3% | 58.6% |
| Interbank and Interbranch Accounts | 2,337 | 7,637 | 6,888 | -69.4% | -66.1% |
| Loans, Leasing Operations and Other Credits | 75,285 | 74,272 | 61,435 | 1.4% | 22.5% |
| (Allowance for Loan Losses) | (3,718) | (3,463) | (2,994) | 7.4% | 24.2% |
| Other Assets | 20,688 | 16,766 | 13,209 | 23.4% | 56.6% |
| Foreign Exchange Portfolio | 8,269 | 6,961 | 4,516 | 18.8% | 83.1% |
| Others | 12,420 | 9,805 | 8,693 | 26.7% | 42.9% |
| **Permanent Assets** | **4,797** | **3,435** | **2,983** | **39.6%** | **60.8%** |
| Investments | 1,905 | 886 | 735 | 114.9% | 159.3% |
| Fixed Assets | 1,032 | 933 | 843 | 10.6% | 22.4% |
| Intangible Assets | 1,860 | 1,616 | 1,405 | 15.1% | 32.4% |
| **TOTAL ASSETS** | **185,252** | **178,520** | **149,597** | **3.8%** | **23.8%** |

*R$ million*

| LIABILITIES AND EQUITY | Dec 31,08 | Sep 30,08 | Dec 31,07 | Variation % Dec/08-Sep/08 | Variation % Dec/08-Dec/07 |
|---|---|---|---|---|---|
| **Current and Long-term Liabilities** | **170,894** | **162,874** | **135,769** | **4.9%** | **25.9%** |
| Deposits | 56,673 | 54,413 | 45,643 | 4.2% | 24.2% |
| Demand Deposits | 4,094 | 3,464 | 10,279 | 18.2% | -60.2% |
| Savings Accounts | 7,400 | 7,266 | 10,506 | 1.8% | -29.6% |
| Interbank Deposits | 1,790 | 851 | 1,149 | 110.5% | 55.8% |
| Time Deposits | 43,389 | 42,833 | 23,709 | 1.3% | 83.0% |
| Funds Received under Securities Repurchase Agreements | 34,346 | 31,327 | 27,080 | 9.6% | 26.8% |
| Funds from Acceptances and Issue of Securities | 8,781 | 8,611 | 4,601 | 2.0% | 90.9% |
| Interbank and Interbranch Accounts | 836 | 1,287 | 764 | -35.0% | 9.4% |
| Borrowings and On-lendings | 18,504 | 18,588 | 16,337 | -0.5% | 13.3% |
| Financial Instruments and Derivatives | 6,861 | 5,859 | 3,921 | 17.1% | 75.0% |
| Technical Provisions for Insurance, Pension Plans and Cap. | 12,540 | 11,955 | 11,055 | 4.9% | 13.4% |
| Other Liabilities | 32,351 | 30,834 | 26,369 | 4.9% | 22.7% |
| Foreign Exchange Portfolio | 6,451 | 4,725 | 3,016 | 36.5% | 113.9% |
| Subordinated Debt | 8,191 | 7,626 | 5,757 | 7.4% | 42.3% |
| Others | 17,709 | 18,482 | 17,596 | -4.2% | 0.6% |
| **Deferred Income** | **103** | **73** | **57** | **40.5%** | **80.8%** |
| **Minority Interest in Subsidiaries (*)** | **1,212** | **2,654** | **1,934** | **-54.3%** | **-37.3%** |
| **Stockholders' Equity of Parent Company** | **13,044** | **12,919** | **11,837** | **1.0%** | **10.2%** |
| **TOTAL LIABILITIES AND EQUITY** | **185,252** | **178,520** | **149,597** | **3.8%** | **23.8%** |
| Deposits | 56,673 | 54,413 | 45,643 | 4.2% | 24.2% |
| Assets Under Management (AUM) | 56,670 | 55,642 | 54,935 | 1.8% | 3.2% |
| Total Deposits + Assets Under Management (AUM) | 113,343 | 110,055 | 100,578 | 3.0% | 12.7% |

(*) The decrease in the balance of minority interest in subsidiaries is fundamentally related to the equity acquisition of Unibanco AIG Seguros.

Note: On December 31, 2008, the Consolidated Balance Sheet of Itaú Unibanco does not represent the sum of Itaú and Unibanco because of intercompany transactions.

# Executive Summary
# Fourth Quarter of 2008

### *Pro Forma* Statement of Income

The *Pro Forma* Statement of Income below does not include the effects of the merger and of equalization of accouting criteria.

*R$ million*

| | 4th Q/08 | 3rd Q/08 | 2008 | 2007 | Variation 4th Q/08-3rd Q/08 | % | 2008-2007 | % |
|---|---|---|---|---|---|---|---|---|
| **Managerial Financial Margin** | **3,305** | **2,902** | **12,012** | **10,020** | **404** | **13.9%** | **1,992** | **19.9%** |
| • Financial Margin with Customers | 2,758 | 2,634 | 10,657 | 9,219 | 125 | 4.7% | 1,438 | 15.6% |
| • Financial Margin with Market | 547 | 268 | 1,355 | 802 | 279 | 104.1% | 553 | 69.0% |
| **Result from Loan Losses** | **(690)** | **(595)** | **(2,479)** | **(1,912)** | **(95)** | **16.0%** | **(567)** | **29.6%** |
| Provision for Loan and Lease Losses | (767) | (671) | (2,783) | (2,155) | (96) | 14.3% | (628) | 29.2% |
| Recovery of Credits Written Off as Losses | 77 | 76 | 304 | 243 | 1 | 1.3% | 61 | 25.3% |
| **Net Result from Financial Operations** | **2,616** | **2,307** | **9,533** | **8,108** | **309** | **13.4%** | **1,425** | **17.6%** |
| **Other Operating Income/(Expenses)** | **(1,393)** | **(1,197)** | **(4,786)** | **(4,215)** | **(196)** | **16.4%** | **(570)** | **13.5%** |
| Banking Fees and Charge Revenues | 921 | 886 | 3,637 | 3,640 | 35 | 4.0% | (3) | -0.1% |
| Result from Operations of Insurance, Pension Plans and Cap. | 232 | 254 | 879 | 745 | (22) | -8.8% | 133 | 17.9% |
| Non-interest Expenses | (2,393) | (2,140) | (8,576) | (7,820) | (253) | 11.8% | (757) | 9.7% |
| Tax Expenses for ISS, PIS and Cofins | (333) | (301) | (1,208) | (983) | (32) | 10.7% | (224) | 22.8% |
| Equity in the Earnings of Associated Companies | 2 | 1 | 13 | 102 | 1 | 109.7% | (89) | -87.6% |
| Other Operating Income | 177 | 103 | 470 | 101 | 74 | 71.7% | 369 | 367.2% |
| **Operating Income** | **1,222** | **1,110** | **4,748** | **3,893** | **113** | **10.1%** | **855** | **22.0%** |
| Non-operating Income | (28) | (11) | (13) | (10) | (17) | 154.5% | (3) | 32.5% |
| **Income before Tax and Profit Sharing** | **1,194** | **1,099** | **4,734** | **3,883** | **95** | **8.7%** | **851** | **21.9%** |
| **Income Tax and Social Contribution** | **(255)** | **(181)** | **(900)** | **(550)** | **(74)** | **40.7%** | **(350)** | **63.6%** |
| **Profit Sharing** | **(203)** | **(128)** | **(621)** | **(560)** | **(75)** | **59.0%** | **(61)** | **10.9%** |
| **Minority Interests in Subsidiaries** | **(84)** | **(86)** | **(359)** | **(173)** | **2** | **-2.7%** | **(187)** | **108.1%** |
| **Recurring Net Income** | **652** | **704** | **2,853** | **2,600** | **(51)** | **-7.3%** | **254** | **9.8%** |

# Analysis of the Net Income

## Analysis of the Net Income
## Managerial Financial Margin

The managerial financial margin in the fourth quarter of 2008 totaled R$ 3,305 million, a 13.9% increase from the prior quarter. The main drivers of such change are discussed below.

**Managerial Financial Margin**

*R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation | |
|---|---|---|---|---|
| | | | Balance | % |
| **Customers** | **2,758** | **2,634** | **125** | **4.7%** |
| Sensitive to Variations in Interest Rate | 314 | 326 | (12) | -3.7% |
| Sensitive to Spreads | 2,445 | 2,307 | 137 | 5.9% |
| **Market** | **547** | **268** | **279** | **104.1%** |
| Management of Foreign Exchange Risk from Investments (I) | 165 | 171 | (6) | -3.4% |
| Treasury (II) | 382 | 97 | 285 | 293.7% |
| **Total** | **3,305** | **2,902** | **404** | **13.9%** |

### Managerial Financial Margin with Clients

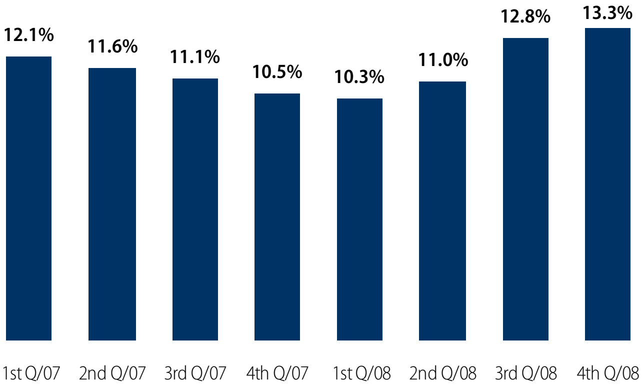
The use of financial products and services by our individual and corporate clients is the source of the managerial financial margin with clients, which is divided into the financial margin on interest rate-sensitive and the financial margin on spread-sensitive customer transactions. During the fourth quarter of 2008, the managerial financial margin with clients increased by 4.7%, totaling R$ 2,758 million. During the period, the financial margin on transactions that are interest rate-sensitive declined by 3.7%, primarily due to the increase in permanent assets and reduction in stockholders' equity of minority interests, as a result of the acquisition of shares in Unibanco AIG Seguros held by AIG, partly offset by the rise in interest rates in the period.

**Banking Transactions Sensitive to Variations in Interest Rate**

*R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation | |
|---|---|---|---|---|
| | | | Balance | % |
| Average Balance | 9,468 | 10,162 | (695) | -6.8% |
| Financial Margin | 314 | 326 | (12) | -3.7% |
| Annualized Rate | 13.3% | 12.8% | | 43 b.p. |

**Annualized Rate of Financial Margin on Interest Rate Change-Sensitive Customer Transactions**



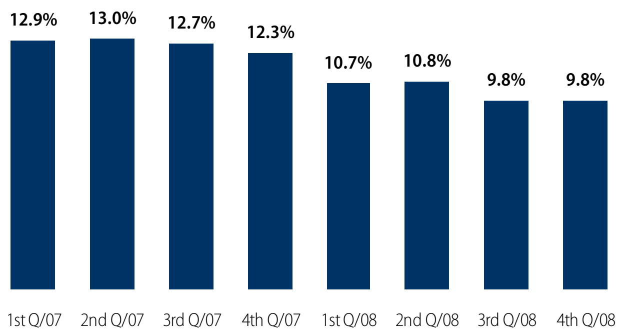

The financial margin on spread-sensitive customer transactions presented an increase of R$ 137 million in the fourth quarter, up 5.9% from the prior quarter. This growth is mainly explained by the increases of R$ 3,147 million in the average balance of loan and financing transactions, and R$ 6,110 million in the average balance of available funds, interbank deposits and securities. The annualized rate of the financial margin on spread-sensitive customer transactions stood at 9.8% in the fourth quarter of 2008.

**Banking Transactions Sensitive to Spreads**

*R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation | |
|---|---|---|---|---|
| | | | Balance | % |
| Average Balance | 99,892 | 94,089 | 5,804 | 6.2% |
| Financial Margin | 2,445 | 2,307 | 137 | 5.9% |
| Annualized Rate | 9.8% | 9.8% | | 0 b.p. |

**Annualized Rate of Financial Margin on Spread-Sensitive Customer Transactions**




### Managerial Financial Margin with the Market

The financial margin with the market includes treasury transactions in the financial markets and the hedge of investments abroad.

The financial margin with the market totaled R$ 547 million in the fourth quarter of the year, corresponding to a 104.1% increase from the prior quarter.

The treasury margin grew by 293.7% from the prior quarter, reaching R$ 382 million.

The financial margin on exchange risk management of investments abroad amounted to R$ 165 million in the fourth quarter of 2008.

**Market Financial Margin**

*R$ million*

| | 4th Q/08 | 3rd Q/08 | Variation | |
|---|---|---|---|---|
| | | | Balance | % |
| Management of Foreign Exchange Risk from Investments (I) | 165 | 171 | (6) | -3.4% |
| Treasury (II) | 382 | 97 | 285 | 293.7% |
| **Total** | **547** | **268** | **279** | **104.1%** |

# Analysis of the Net Income
## Managerial Financial Margin

### Financial Margin with the Market - Management of Foreign Exchange Risk from Investments (I)

R$ million

| | 4th Quarter of 2008 | | | | 3rd Quarter of 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | Initial Balance | Result Gross of Taxes | Tax Effects | Result Net of Taxes | Initial Balance | Result Gross of Taxes | Tax Effects | Result Net of Taxes |
| Capital Investments Abroad (A) | 5,360 | | | | 4,618 | | | |
| Exchange Variation on Investments Abroad (B) | | 1,184 | | 1,184 | | 935 | | 935 |
| Effect of exchange risk management of investments abroad (C)=(D)+(E) | | (1,799) | 779 | (1,019) | | (1,464) | 699 | (764) |
| Assets Position in DI (D) | 5,360 | 270 | | 270 | 4,618 | 171 | | 171 |
| Liabilities Position in Foreign Currency (E) | (9,369) | (2,069) | 779 | (1,289) | (8,072) | (1,635) | 699 | (936) |
| **Managerial Financial Margin of Exchange Risk of Investments Abroad (F) = (B) + (C)** | | **(615)** | **779** | **165** | | **(528)** | **699** | **171** |

The combination of the above factors led our net interest margin (annualized rate of managerial financial margin, disregarding the treasury financial margin) to stand at 10.2% in the fourth quarter of the year, unaltered from the prior quarter. Considering the effects of the provision for doubtful loans, net of the recovery of transactions previously written-off as losses, the rate for the fourth quarter was 7.8%, *versus* 8.1% in the prior quarter.

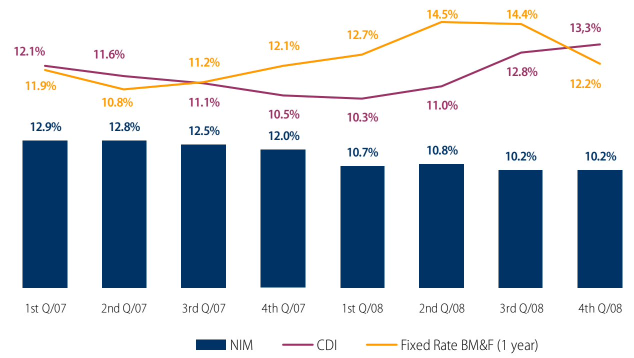
### Analysis of the Managerial Financial Margin

R$ million

| | 4th Q/08 | | | 3rd Q/08 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Financial Margin | CDI (p.y.) | Average Balance | Financial Margin | CDI (p.y.) |
| Demand Deposits + Floatings | 4,653 | | | 4,366 | | |
| (-) Compulsory Deposits | (1,658) | | | (1,559) | | |
| Contingent Liabilities (-) Contingent Assets | 2,989 | | | 1,102 | | |
| (-) Tax Credits | (5,797) | | | (4,309) | | |
| Working Capital (Equity + Minority Interests - Permanent Assets - Capital Allocated to Treasury) | 9,281 | | | 10,563 | | |
| **Interest Rate Sensitive Banking Transactions Performed with Customers (A)** | **9,468** | **314** | **13.3%** | **10,162** | **326** | **12.8%** |
| | Average Balance | Financial Margin | Spread (p.y.) | Average Balance | Financial Margin | Spread (p.y.) |
| Cash and Cash Equivalents + Interbank Deposits + Securities (*) | 25,631 | | | 19,521 | | |
| Interbank and Interbranch Accounts | 3,269 | | | 6,313 | | |
| Loans, Leasing and Other Credits | 74,779 | | | 71,632 | | |
| (Allowance for Loan Losses) | (4,052) | | | (3,357) | | |
| Net Foreign Exchange Portfolio (Asset/Liability) | 266 | | | (21) | | |
| **Spread-Sensitive Banking Transactions Performed with Customers (B)** | **99,892** | **2,445** | **9.8%** | **94,089** | **2,307** | **9.8%** |
| **Managerial Financial Margin with Customer (C = A+B)** | **109,360** | **2,758** | **10.1%** | **104,251** | **2,634** | **10.1%** |
| **Management of Exchange Risk of Investments Abroad (I) (D)** | **4,980** | **165** | **13.3%** | **5,328** | **171** | **12.8%** |
| **Net Interest Margin (E = C+D)** | **114,340** | **2,924** | **10.2%** | **109,579** | **2,805** | **10.2%** |
| **Provision for Loan and Lease Losses (F)** | | **(767)** | | | **(671)** | |
| **Recovery of Credits Written Off as Losses (G)** | | **77** | | | **76** | |
| **Net Interest Margin after Provision for Credit Risk (H = E+F+G)** | **114,340** | **2,234** | **7.8%** | **109,579** | **2,210** | **8.1%** |
| **Treasury Financial Margin (II) (J)** | | **382** | | | **97** | |
| **Net Result from Financial Operations (L = H+J)** | | **2,616** | | | **2,307** | |

(*) Cash and Cash Equivalents + Interbank Deposits + Securities (-) Interbank Deposits related to Repurchase Liability (-) Derivative financial instruments (-) Banking Transactions Sensitive to Variations in Interest Rate (-) Investments Abroad.
Note: Spread is the annualized difference between the earnings of assets and their opportunity costs.

### Net Interest Margin (NIM) x CDI x Fixed Rate BM&F (1 year)



## Analysis of the Net Income

### Results from Loan and Lease Losses

**Expenses for Provision for Loan Losses and Recovery of Credits Written-off as Losses** *R$ million*

| | 4th Q/08 | 3rd Q/08 | 2008 | 2007 | Variation 4th Q/08 - 3rd Q/08 | |
|---|---|---|---|---|---|---|
| Provision for Loan and Lease Losses | (767) | (671) | (2,783) | (2,155) | (96) | 14.3% |
| Recovery of Credits Written-off as Losses | 77 | 76 | 304 | 243 | 1 | 1.3% |
| **Result from Loan Losses** | **(690)** | **(595)** | **(2,479)** | **(1,912)** | **(95)** | **16.0%** |

The provision for loan losses added up to R$ 767 million in the fourth quarter of 2008, a 14.3% increase compared to the prior quarter. Such growth was driven by the expansion of the average loan and financing portfolio in the period, as well as the increase of nonperforming loans (credits overdue by 60 days or more) as a percentage of the total credit portfolio.

The nonperforming loan ratio was 4.2%, up 30 basis points from the prior quarter. The ratios for the individual customer and corporate portfolios increased both by 20 basis points when compared to the third quarter of the year. The delinquency ratio on individual customer transactions stood at 8.5% in the quarter, compared to 8.3% in the third quarter. Similarly, the ratio for corporate customer transactions reached 1.4% in the period, versus 1.2% in the third quarter of the year. Such performance is mainly attributable to the lower portfolio growth when compared to prior quarters, as well as maturities of financing transactions.

Revenues from the recovery of credits previously written-off as losses totaled R$ 77 million in the fourth quarter of 2008, practically stable when compared to R$ 76 million in the prior quarter.

Net write-offs amounted to R$ 435 million in the fourth quarter, a figure significantly lower than the R$ 767 million of provision for loan losses in the quarter, representing a net provision of R$ 332 million, up 22.5% from the third quarter of 2008.

**Nonperforming Loans** *R$ million*

| | Dec 31, 08 | Sep 30, 08 | Dec 31, 07 |
|---|---|---|---|
| Total Nonperforming Loans (a) | 3,172 | 2,933 | 2,388 |
| Credit Portfolio (b) | 75,285 | 74,272 | 61,435 |
| NPL Ratio [(a)/(b)] x 100 | 4.2% | 3.9% | 3.9% |

(a) Loans overdue for more than 60 days and without generation of revenues on the accrual basis.
(b) Endorsements and sureties not included.

**Overdue Loans** *R$ million*

| | Dec 31, 08 | Sep 30, 08 | Dec 31, 07 |
|---|---|---|---|
| Overdue Loans (a) | 4,755 | 4,574 | 3,502 |
| Provision for Loan Losses (b) | (3,718) | (3,463) | (2,994) |
| Difference (b+a) | (1,037) | (1,111) | (508) |

Overdue loans are credit transactions having at least one installment more than 15 days overdue, irrespective of collateral provided.

# Analysis of the Net Income

## Banking Fee Revenues

R$ million

| | | 4th Q/08 | 3rd Q/08 | 2008 | 2007 | Variation 4thQ/08 - 3rdQ.08 | | Variation 2008 - 2007 | |
|---|---|---|---|---|---|---|---|---|---|
| Asset Management | A | 61 | 72 | 291 | 340 | (11) | -15.8% | (49) | -14.5% |
| Current Account Services | | 256 | 242 | 985 | 968 | 13 | 5.5% | 17 | 1.8% |
| Loan Operations and Guarantees Provided | | 101 | 95 | 436 | 374 | 6 | 6.8% | 62 | 16.5% |
| Collection Services | | 86 | 83 | 333 | 400 | 3 | 3.1% | (67) | -16.8% |
| Credit Cards | B | 322 | 295 | 1,228 | 1,151 | 27 | 9.2% | 77 | 6.7% |
| Other | | 96 | 98 | 365 | 407 | (2) | -2.4% | (42) | -10.4% |
| **Total** | | **921** | **886** | **3,637** | **3,640** | **36** | **4.0%** | **(3)** | **-0.1%** |

Banking service fees, including banking charge revenues, grew by 4.0% from the third quarter of 2008, driven mainly by:

A) Reduction in asset management revenues, as a result of lower performance rates, given the less favorable economic environment, as well as the decreased average volume of assets under management, excluding FIDC (Credit Receivable Investment Fund), that have recently migrated to time deposit transactions.

B) Increase in credit card revenues, essentially due to the expanded volume of transactions in the fourth quarter of the year.

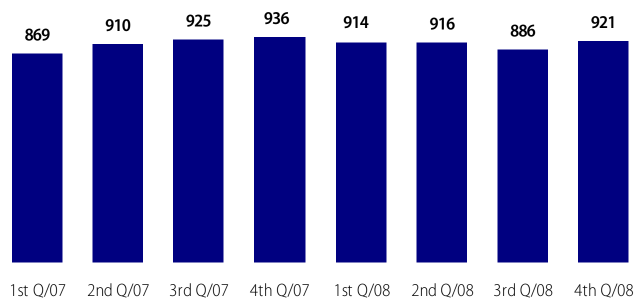
## Others

R$ million

| | 4th Q/08 | 3rd Q/08 | Variation |
|---|---|---|---|
| Income from Brokerage and Securities Placement | 9 | 15 | (6) |
| Income from Custody Services and Management of Portfolio | 1 | 1 | 0 |
| Income from Economic and Financial Advisory | 36 | 18 | 18 |
| Commission Income | 12 | 13 | (0) |
| Other Services | 38 | 51 | (13) |
| **Total** | **96** | **98** | **(2)** |

**Banking Fee Revenues and Banking Charge Revenues**

R$ million



## Analysis of the Net Income

### Non-interest Expenses

*R$ million*

| | 4thQ/08 | 3rdQ/08 | 2008 | 2007 | Variation 4thQ/08 - 3rdQ/08 | | Variation 2008 - 2007 | |
|---|---|---|---|---|---|---|---|---|
| Personnel Expenses | (772) | (722) | (2,847) | (2,563) | (51) | 7.0% | (284) | 11.1% |
| Other Administrative Expenses | (1,005) | (925) | (3,656) | (3,438) | (80) | 8.7% | (218) | 6.3% |
| Other Operating Expenses | (583) | (469) | (1,987) | (1,635) | (114) | 24.4% | (352) | 21.5% |
| Tax Expenses | (32) | (25) | (86) | (183) | (7) | 28.0% | 97 | -52.9% |
| **Total** | **(2,393)** | **(2,140)** | **(8,576)** | **(7,820)** | **(253)** | **11.8%** | **(757)** | **9.7%** |

In the fourth quarter of 2008, non-interest expenses were up11.8% from the third quarter of the year. During the year, the growth was equal to 9.7%, below the inflation of 9.81% (IGP-M), as a result of efficiency gains and cost control, notwithstanding the expansion in business, salary increases and a 6.5% increase in the number of employees.

### Personnel Expenses

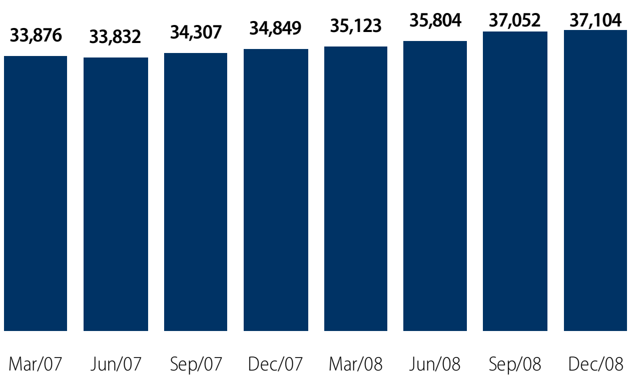
*R$ million*

| | | 4thQ/08 | 3rdQ/08 | Variation |
|---|---|---|---|---|
| Compensation | A | (404) | (369) | (35) |
| Charges | A | (168) | (147) | (20) |
| Social Benefits | A | (142) | (114) | (27) |
| Training | | (4) | (6) | 1 |
| Employee Resignation and Labor Claims | | (55) | (85) | 30 |
| **Total** | | **(772)** | **(722)** | **(51)** |

Personnel expenses grew by 7.0% compared to the prior quarter, mostly due to:

A) Full impact in the quarter of the Collective Labor Agreement (CCT), whereby compensation amounts, benefits and charges were increased by 8.15% or 10%, in accordance with the salary levels; and impact of the supplementary benefit for food vouchers, implemented in December 2008.

**Number of Employees**




### Other Administrative Expenses

*R$ million*

| | | 4thQ/08 | 3rdQ/08 | Variation |
|---|---|---|---|---|
| Data Processing and Telecommunication | | (107) | (108) | 0 |
| Depreciation and Amortization | B | (120) | (97) | (23) |
| Facilities | | (179) | (173) | (6) |
| Third-Party Services | | (347) | (338) | (9) |
| Financial System Service | | (24) | (22) | (1) |
| Advestising, Promotions and Publications | C | (95) | (89) | (7) |
| Transportation | | (19) | (18) | (1) |
| Materials | | (12) | (12) | 0 |
| Security | | (27) | (25) | (2) |
| Legal | | (11) | (10) | (1) |
| Travel | | (10) | (11) | 1 |
| Others | | (53) | (22) | (31) |
| **Total** | | **(1,005)** | **(925)** | **(80)** |

Other administrative expenses increased by 8.7% in the fourth quarter, primarily driven by:

B) Increase in depreciation and amortization expenses as a result of the investments in expansion of the businesses in previous quarters;

C) Increase in advertising, promotion and publication expenses, due to the seasonal effect of the last quarter of the year.

### Other Operating Expenses

*R$ million*

| | 4thQ/08 | 3rdQ/08 | Variation |
|---|---|---|---|
| Provision for contigencies | (77) | (55) | (22) |
| Selling - Credit Cards | (87) | (88) | 1 |
| Claims | (69) | (60) | (9) |
| Others | (350) | (266) | (84) |
| **Total** | **(583)** | **(469)** | **(114)** |

Other operating expenses grew by 24.4%, mainly on account of provisions for civil contingencies.

# Analysis of the Net Income

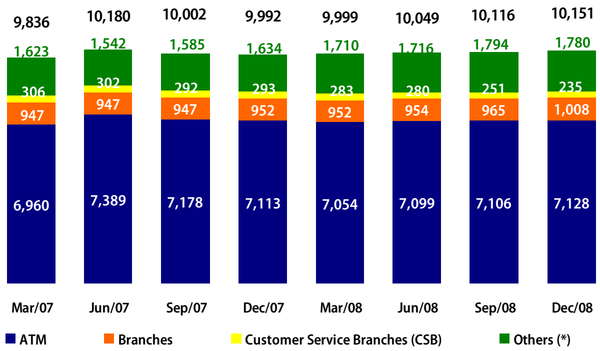
## Efficiency Ratio

In the fourth quarter, the efficiency ratio stood at 55.6%, driven by the increase in financial revenues at a higher rate than the growth in non-interest expenses.

## Points of Service

During the quarter, 43 new branches were added under the expansion program that was announced at the beginning of the year.

**Number of Points of Service**



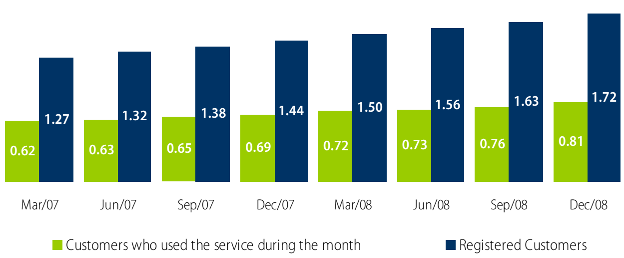

(*) Others includes stores, kiosks and stands and attendance centers: Fininvest, Hipercard, PontoCred and LuizaCred.

Note: Does not include points of sale (13,684 in Dec/08) and ATMs Tecban – Banco 24 hs (5,306 in Dec/08).

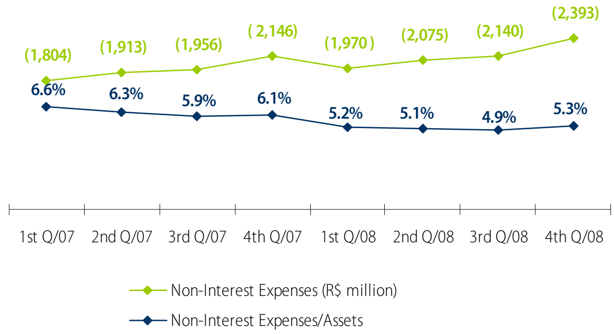
## Internet Banking Clients

Over 87 thousand new customers became enabled to use Internet Banking in the fourth quarter of 2008. The number of Internet Banking accesses has followed a continuing growth trend since the beginning of the year, to reach a record level in December – more than eight hundred thousand accesses.

**Internet Banking Clients** *In millions*




**Performance of Non-Interest Expenses and Ratio of Non-Interest Expenses to Assets (**)**




(**) Division of Non-Interest Expenses by the arithmetic average of total assets for the two past quarters (annualized) .

## Tax Expenses for ISS, PIS and Cofins

In the fourth quarter of 2008, tax expenses grew by 10.7% from the prior quarter, mostly due to the increase in revenues from financial intermediation and banking service fees.

## Income Tax and Social Contribution on Net Income

The income tax and social contribution on net income in the fourth quarter of 2008, after the adjustment for the effect of the hedge on investments abroad and sovereign bonds, increased 40.7% from the prior quarter. This growth is mainly explained by the fact that the payment of dividends in the fourth quarter did not occur in the form of interest on capital, differently from the previous quarter, in which a tax benefit of R$ 97 million related to interest on capital stock was recorded.

## Value at Risk (VaR)

### Unibanco

Unibanco's risk management of both the Treasury and total exposures is made through the management of VaR.

In the fourth quarter of 2008, the international crisis once again had a strong impact in the financial markets, resulting in a significant increase in volatilities of various risk factors. The average VaR of the proprietary desk increased to R$ 30 million in the quarter, compared to an average of R$ 24 million in the previous quarter, and ended 2008 at R$ 21 million. The maximum VaR in the quarter was R$ 160 million on November 24, 2008, as a result of the huge increase in the foreign currency exposure VaR due to the acquisition of AIG's stake in Unibanco AIG Seguros. Except for this specific date, the maximum VaR in the quarter was R$ 46 million.

**VaR of the Proprietary Desk of Unibanco**

*R$ million*

| | Dec 31, 2008 | Sep 30, 2008 |
|---|---|---|
| Fixed Rate | 10,2 | 13,5 |
| Dollar Linked Interest Rate + Foreign Exchange Rate | 4,5 | 6,9 |
| Equities | 0,7 | 1,4 |
| Sovereign | 0,2 | 0,1 |
| Other Foreign Exchange Rate | 4,8 | 0,3 |
| Commodities | 0,7 | 0,1 |
| Others (Credit Trading) | 1,5 | 0,1 |
| Diversification Effect | (1,5) | (0,6) |
| **VaR Global** | **21,1** | **21,9** |
| **Maximum VaR** | **160,9** | **38,5** |
| **Average VaR** | **30,0** | **23,6** |
| **Minimum VaR** | **11,7** | **14,2** |

The structural position and the total Unibanco portfolio, which is comprised of the banking and trading books, suffered the same impact of the global crisis and the widespread increase in volatilities in the period. This impact is noted in the amounts of Maximum and Average VaR that presented a significant growth when compared to the amounts of previous quarter.

**Unibanco VaR**

*R$ million*

| | Dec 31, 2008 | Sep 30, 2008 |
|---|---|---|
| Fixed Rate + Inflation Index Linked Interest Rate | 46.3 | 46.2 |
| Dollar Linked Interest Rate + Foreign Exchange Rate | 82.3 | 39.0 |
| Equities | 0.7 | 1.4 |
| Sovereign | 58.3 | 14.1 |
| Other Foreign Exchange Rate | 4.7 | 0.3 |
| Commodities | 0.7 | 0.1 |
| Others (Credit Trading) | 7.3 | 6.8 |
| Diversification Effect | (38.8) | (10.9) |
| **VaR Global** | **161.6** | **97.1** |
| **Maximum VaR** | **236.6** | **106.7** |
| **Average VaR** | **192.9** | **88.5** |
| **Minimum VaR** | **156.8** | **67.5** |

# Business Segment Information

## UNIBANCO *Pro Forma*

## Business Segment Information

As disclosed in previous quarters, according to Unibanco's model of earnings release until the third quarter of 2008, the following pages present Unibanco's business segment information.

### Retail

In December 2008, Unibanco's Retail business comprised 32.6 million customers throughout Brazil (a 12% increase compared to December 2007).

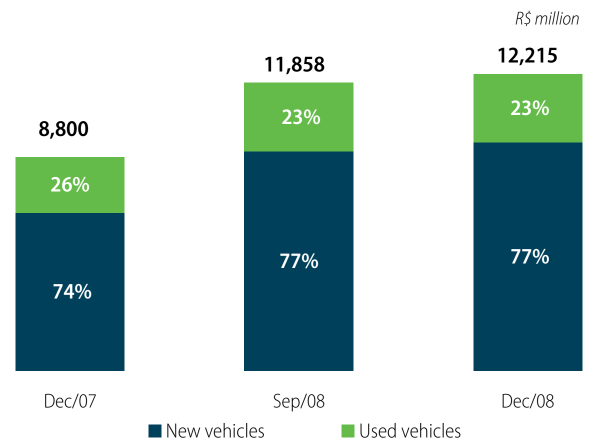
The commercial bank targets individuals and small and medium enterprises (SME); Unicard, Hipercard and Redecard are the credit card companies; Fininvest, PontoCred and LuizaCred are the consumer finance companies. Unibanco also engages in the financing of light and heavy vehicles on a nationwide basis. It also operates payroll credit through dealers (including Fininvest) and the commercial bank.

Total Retail credit transactions, excluding sureties and endorsements, reached R$ 44,816 million, of which R$ 27,946 million are loans to individuals, representing a 3.0% increase in the fourth quarter of 2008. At the end of 2008, Unibanco had 1,008 branches and 235 corporate-site branches. During the year, 77 new branches were launched under the expansion program that was announced at the beginning of the year.

**Vehicles**

The balance of vehicle financing and leasing transactions grew by 3.0% in the quarter and 38.8% in the year, reaching R$ 12,215 million at December 31, 2008. During the year, Unibanco has focused on the financing of new vehicles, and, as a consequence, increased the participation of new vehicles in the portfolio mix. The chart below depicts the credit portfolio evolution and the mix of new and used vehicles.

**Balance and Mix of Vehicle Financing and Leasing Transactions**




**Payroll Credit**

The balance of Unibanco's payroll credit portfolio amounted to R$ 3,831 million. Since late 2007, Unibanco chose to focus on its own origination portfolio which, in December 2008, totaled R$ 1,945 million, a 16.6% increase in the year. Such evolution is the outcome of the offer of this product to commercial bank customers, as well as the origination efforts through dealers (including Fininvest).

**Real Estate Credit**

The real estate credit portfolio added up to R$ 2,226 million at December 31, 2008, up 27.9% from December 2007. In December 2008, the balance of committed future disbursements was R$ 1,957 million, representing a 50.1% increase in the past 12 months.

**Small and Medium Companies (SME)**

The SME segment services companies with annual sales up to R$ 150 million. This segment provides a full range of financial services, such as credit lines, account receivable financing, working capital loans, vehicle financing, BNDES onlendings, real estate credit, leasing and payroll services, in addition to cash management services. At the end of December 2008, the SME segment was comprised of approximately 660 thousand customers.

The SME credit portfolio totaled R$ 13,195 million at December 31, 2008, a 17.1% increase over the past 12 months.

## Business Segment Information

### Credit Card Companies

Unibanco's credit card business is comprised of Unicard, Hipercard and Redecard. The consolidated net income of these operations was R$ 225 million in the quarter and R$ 789 million in 2008. It should be pointed out that net income for 2008 was impacted by the reduction of Unibanco's participation in Redecard (from 31.9% to 23.2%) due to its IPO in the third quarter of 2007. Redecard net income is consolidated in Unibanco's financial statements in proportion to the participation of Unibanco in the company.

During the quarter, the credit portfolio increased by 7.6%, reaching R$ 7,732 million in December 2008.

**Credit Card Companies Financial Information**

*R$ million*

| | 4th 08 | 3rd 08 | 4th 07 | 2008 | 2007 |
|---|---|---|---|---|---|
| Credit Portfolio(1) | 7,732 | 7,187 | 6,875 | 7,732 | 6,875 |
| Provision for Loan losses | 195 | 188 | 144 | 752 | 523 |
| Allowance for Loan Losses over Credit Portfolio | 9.3% | 9.2% | 7.4% | 9.3% | 7.4% |
| Fees | 216 | 190 | 209 | 819 | 778 |
| Business Results | 225 | 158 | 207 | 789 | 773 |

(1) Individuals

Unicard issues and manages Visa and MasterCard cards and is leader in the co-branded card segment in the country. Hipercard is a credit card acquirer and issuer, as well as a card banner.

Unicard and Hipercard combined billings in 2008, in terms of the volume of purchases and cash withdrawals by members/customers, totaled R$ 30,720 million, representing a 20.2% growth compared to 2007.

**Credit Cards**

*In millions*

| Number of cards | Dec/08 | Sep/08 | Dec/07 |
|---|---|---|---|
| Visa + Mastercard (A) | 18.9 | 19.2 | 17.8 |
| Hipercard (B) | 10.9 | 10.5 | 8.8 |
| **Subtotal (A+B)** | **29.8** | **29.8** | **26.6** |
| Other cards | 1.8 | 2.4 | 8.9 |
| **Total cards** | **31.6** | **32.2** | **35.5** |

The chart on the side shows the total number of credit cards, which was mainly impacted by the repositioning of the Fininvest business and the end of the partnership with Tribanco, under the Tricard operation. Noteworthy is the 24% growth in Hipercard's card base during the year.

### Consumer Finance Companies

Fininvest, PontoCred and LuizaCred are Unibanco's consumer finance companies. The credit portfolio amounted to R$ 3,567 million in December 2008, a 2.1% growth in the quarter. Net income of this business line totaled R$ 25 million in the fourth quarter of 2008 and R$ 115 million in 2008. The following table shows the evolution of the consumer finance companies:

**Consumer Finance Companies Financial Information**

*R$ million*

| | 4th 08 | 3rd 08 | 4th 07 | 2008 | 2007 |
|---|---|---|---|---|---|
| Credit portfolio | 3,567 | 3,493 | 3,405 | 3,567 | 3,405 |
| Provision for loan losses | 174 | 200 | 152 | 738 | 603 |
| Allowance for Loan Losses over Credit Portfolio | 18.3% | 17.9% | 15.9% | 18.3% | 15.9% |
| Fees | 104 | 106 | 96 | 410 | 373 |
| Business results | 25 | 17 | 56 | 115 | 164 |

At the end of the quarter, Fininvest had 577 own stores, mini-stores and kiosks, having presence in over 14 thousand points of sale. At that same date, LuizaCred and PontoCredt had 444 and 457 points of sale, respectively.

## Business Segment Information

### Wholesale

The Wholesale segment, which services companies with annual revenues in excess of R$ 150 million, has regional coverage and sector expertise, and is focused on long-term relationships with its customers, in addition to institutional investors.

The highlights of the quarter were differentiated products and services, such as cash management solutions and structured transactions.

As a financial agent for BNDES (Brazilian National Bank for Social and Economic Development), Unibanco disbursed R$ 5,047 million in 2008. Disbursement under the BNDES-exim type transactions totaled R$ 644 million in the same period.

The segment credit portfolio added up to R$ 30,469 million in December 2008, up 34.8% over the past 12 months, mostly influenced by the 31.9% depreciation of the real during 2008. It should be noted that the dollar-linked credit portfolio represents approximately 17% of all credit transactions.

### Insurance and Private Pension Plans

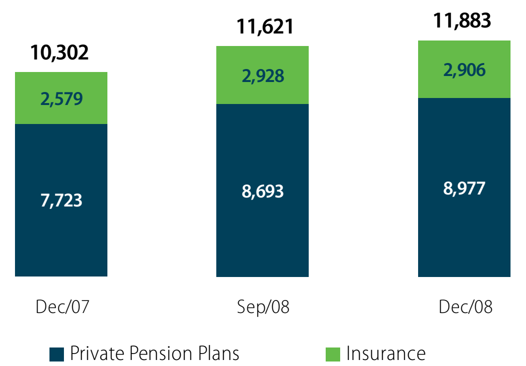
In November 2008, Unibanco acquired the 50.1% interest held by AIG in Unibanco AIG Seguros S.A., which was renamed Unibanco Seguros S.A., with a US$ 805 million disbursement. Unibanco now holds 100% of the voting capital of Unibanco Seguros S.A., after the acquisition of the 47% of the voting capital held by AIG.

The insurance and private pension plan businesses' net income totaled R$ 87 million in the fourth quarter of 2008 and R$ 367 million in 2008. Operating income for the quarter amounted to R$ 42 million, representing a 31.3% growth from the prior quarter. In 2008, the increase was equal to 26.7%, reaching R$ 171 million. Consolidated revenues added up to R$ 6,153 million in the year, a 8.1% growth compared to 2007.

Technical reserves amounted to R$ 11,883 million at the end of December 2008, growing by 15.3% compared to December 2007, and 2.3% compared to September 2008, as shown in the chart below:

**Technical Reserves**

*R$ million*




*R$ million*

| Insurance | 4th Q/08 | 3rd Q/08 | 4th Q/07 | 2008 | 2007 |
|---|---|---|---|---|---|
| Net premiums written | 1,004 | 1,057 | 1,032 | 4,110 | 4,141 |
| Premiums retained | 882 | 944 | 913 | 3,595 | 3,451 |
| Premiums earned | 829 | 811 | 740 | 3,174 | 2,712 |
| Industrial result | 126 | 129 | 123 | 520 | 463 |
| Personnel and administrative expenses | (73) | (78) | (76) | (291) | (277) |
| Operating income | 42 | 32 | 34 | 171 | 135 |
| Financial / equity result | 88 | 72 | 73 | 289 | 265 |
| Income before taxes | 130 | 106 | 104 | 463 | 401 |
| Net income | 87 | 85 | 79 | 367 | 302 |
| Loss ratio (1) | 44.3% | 44.0% | 42.9% | 44.0% | 44.8% |
| Combined ratio (2) | 94.9% | 96.0% | 95.4% | 94.6% | 95.0% |
| Extended combined ratio (3) | 87.4% | 90.9% | 91.9% | 89.0% | 88.9% |

(1) Claims/Premiums.
(2) Operating expenses + administrative expenses + selling expenses, claims and taxes) / premiums earned.
(3) Operating expenses + administrative expenses + selling expenses, claims and taxes) / (premiums earned + financial income).

Net income of the private pension business was R$ 98 million in 2008, growing by 22.5% from 2007. Revenues amounted to R$ 2,043 million in 2008, representing a 31.8% growth compared to 2007, as a result of sales efforts through alternative channels.

Pension plan technical reserves added up to R$ 8,977 million as of December 2008, increasing by 16.2% when compared to the same period of the prior year.

# Business Segment Information

## Wealth Management

Unibanco's wealth management business comprises Unibanco Asset Management (UAM) and our Private Banking business.

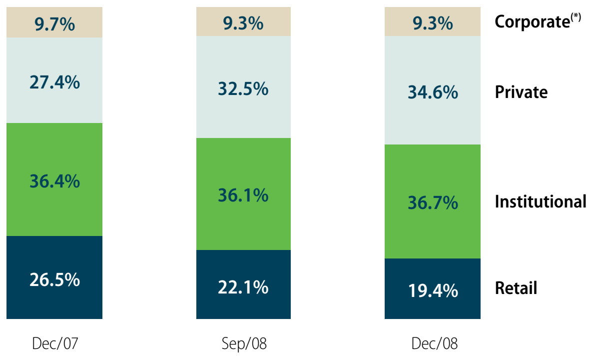
### Unibanco Asset Management

Unibanco Asset Management (UAM) ended December 2008, with a 3.2% increase in assets under management when compared to December 2007, totaling R$ 56.7 billion.

The chart on the side shows the fund mix per segment.

The percentage of Retail funds in the total mix has declined during the year, mainly as a result of a major focus in raising funds through time deposits to finance the bank's loan portfolio.

**Funds´Asset Mix by Segment**




(*) Includes foreign and excludes FIDC
Source: ANBID

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**Report of Independent Auditors on Supplementary Information**

To the Board of Directors and Stockholders
Itaú Unibanco Banco Múltiplo S.A.
(formerly Banco Itaú Holding Financeira S.A.)

1 In connection with our audits of the financial statements of Itaú Unibanco Banco Múltiplo S.A. and Itaú Unibanco Banco Múltiplo S.A. and its subsidiaries as of December 31, 2008 and 2007, on which we issued an unqualified opinion dated February 19, 2009, we performed a review of the supplementary information included in the Management Discussion and Analysis Report on the Consolidated Operations of Itaú Unibanco Banco Múltiplo S.A. and its subsidiaries.

2 Our work was performed in accordance with specific rules set forth by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accountancy Council, for the purpose of reviewing the accounting information contained in the supplementary information of Management Discussion and Analysis Report on the Consolidated Operations of the Itaú Unibanco Banco Múltiplo S.A. and its subsidiaries, and mainly comprised: (a) inquiry of, and discussion with, management responsible for the accounting, financial and operational areas of the Bank with regard to the main criteria adopted for the preparation of the accounting information presented in the supplementary information and (b) a review of the significant information and of the subsequent events which have, or could have, significant effects on the financial position and operations of the Bank and its subsidiaries. The supplementary information included in the Management Discussion and Analysis Report on the Consolidated Operations is presented to permit additional analysis. Notwithstanding, this information should not be considered an integral part of the financial statements.

3 Based on of our review, we are not aware of any material modifications that should be made to the accounting information contained in this supplementary information referred above, in order for it to be adequately presented, in all material respects, in relation to the financial statements at December 31, 2008 taken as a whole.

São Paulo, February 19, 2009

PricewaterhouseCoopers Emerson Laerte da Silva

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